



REQUEST FOR PROPOSALS

PROFESSIONAL MARKET STUDY FIRMS TO CONDUCT MARKET STUDIES FOR THE LOW-INCOME HOUSING TAX CREDIT 9% COMPETITIVE TAX CREDIT ALLOCATION ROUND IN 2015

SECTION 1 -- INTRODUCTION

1.1 Purpose

The purpose of this Request for Proposals ("RFP") is to solicit proposals from market study firms to provide the Iowa Finance Authority ("Authority") with market studies for the Low-Income Housing Tax Credit ("LIHTC") Program during the 9% competitive tax credit allocation round(s). The Authority intends to award one or more contracts for an initial term of one (1) year, with up to four (4) optional one-(1) year extension periods.

1.2 Background Information

This RFP is designed to provide firms with the information necessary for the preparation of competitive bid proposals. The RFP process is for the Authority's benefit and is intended to provide the Authority with competitive information to assist in the selection process. This RFP is not intended to be comprehensive. Each firm is responsible for determining all factors necessary for submission of a comprehensive bid proposal.

SECTION 2 -- ADMINISTRATIVE INFORMATION

2.1 Issuing Officer

The Issuing Officer, identified below, is the sole point of contact regarding the RFP from the date of issuance until selection of the successful firm or firms.

Dave Vaske, Issuing Officer
Iowa Finance Authority
2015 Grand Avenue
Des Moines, IA 50312
RFP2015LIHTCMarketStudies@iowa.gov

2.2 Method of Communication

From the issue date of this RFP until announcement of the successful firms, firms may contact only the Issuing Officer via the email address listed above. Verbal communications, facsimile transmissions, and hard copy documents will not be accepted.

2.3 Restriction on Communication

Firms may be disqualified should they contact any Authority Board Member or employee other than the Issuing Officer regarding this RFP. The Issuing Officer will respond only to questions regarding the procurement process from the email address specified.

2.4 Downloading the RFP from the Internet

The original RFP and any amendments will be posted on the Authority's website at **www.iowafinanceauthority.gov**. Interested firms are advised to check the Authority's website periodically for amendments to this RFP.

2.5 Procurement Timetable

The following dates are set forth for informational and planning purposes; however, the Authority reserves the right to change the dates.

Issue RFP – on or about July 30, 2014
Questions and Requests for Clarification Due August 13, 2014 before 4:00 p.m. Central Standard Time "CST"
Response to Questions Issued – on or about August 20, 2014
Closing Date for Receipt of Bid Proposals – September 8, 2014 before 4:00 p.m. CST.
Announce Successful Firms – on or about September 30, 2014

2.6 Questions and Requests for Clarification

Firms are invited to submit questions and requests for clarifications regarding the RFP. The questions or requests for clarifications must be via email and received by the Issuing Officer before **4:00 p.m. CST on August 13, 2014**. Oral questions will not be permitted. If the questions or requests for clarifications pertain to a specific section of the RFP, the page and section number(s) must be referenced. A written response to questions and requests for clarifications will be posted on the Authority's website at **www.iowafinanceauthority.gov** on or about **August 20, 2014**. The written response will be considered part of the RFP. The email subject line for questions regarding the RFP shall be **RFP Question – Provider's Firm Name** regardless the number of emails submitted.

2.7 Amendment to the RFP and Bid Proposal and Withdrawal of Bid Proposal

The Authority reserves the right to amend the RFP at any time. The firm shall acknowledge receipt of any and all amendments in its proposal. If the amendment occurs after the closing date for receipt of bid proposals, the Authority may, in its sole discretion, allow firms to amend their bid proposals in response to the amendment if necessary.

Firms who submit proposals in advance of the deadline may withdraw, modify, and resubmit proposals at any time prior to the deadline for submitting proposals. Firms must notify the Issuing Officer if they wish to withdraw their proposals. The email subject line should state **2015RFP Amendment – Provider's Company** and if withdrawing the email subject line should state **2015RFP Withdrawal – Provider's Firm Name**.

2.8 Submission of Bid Proposals

The Issuing Officer must receive the three separate emails which contain (1) a technical proposal, (2) a feasible market study sample and (3) a non-feasible market study sample at the address set forth in Section 2.1 **before 4:00 p.m. CST on September 8, 2014. This is a mandatory requirement and will not be waived by the Authority. Any bid proposal received after this deadline will be rejected.** The bid must be emailed using three separate naming rules described in Section 4.1.3 with attachments. The email system will not accept files larger than 20 MB. Therefore, attached files may need to be compressed or zipped. It is the firm's responsibility to ensure that the bid proposal is received prior to the deadline. Firms must furnish all information necessary to evaluate the bid proposal. Bid proposals that fail to meet the mandatory requirements of the RFP will be disqualified. Oral information provided by the firm shall not be considered part of the firm's proposal. It is encouraged when emailing to request a delivery and read receipt prior to sending each email. It is important to send emails early to allow sufficient time for delivery. It is recommended not to wait until the last minute prior to the deadline to email. There is no guarantee electronic submission will always arrive timely. IFA is not responsible if a submission sent timely is not received timely by IFA.

2.9 Bid Proposal Opening

The Authority will open bid proposals **after 4pm CST September 8, 2014**. The bid proposals will remain confidential until the Evaluation Committee has reviewed all bid proposals submitted in response to this RFP and the Authority has announced a notice of intent to award a contract. See Iowa Code Section 72.3.

2.10 Costs of Preparing the Bid Proposal

The costs of preparation and delivery of the bid proposal are solely the responsibility of the firm submitting such proposal.

2.11 Rejection of Bid Proposals

The Authority reserves the right to reject any or all bid proposals, in whole and in part, received in response to this RFP. Issuance of this RFP in no way constitutes a commitment by the Authority to award a contract. This RFP is designed to provide firms with the information necessary to prepare a competitive bid proposal. This RFP process is for the Authority's benefit and is intended to provide the Authority with competitive information to assist in the selection of a firm to provide services. This RFP is not intended to be comprehensive and each firm is responsible for determining all factors necessary for submission of a comprehensive bid proposal.

2.12 Disqualification

The Authority may reject a proposal outright for any one of the following reasons:

2.12.1 The firm fails to deliver the complete bid proposal by the due date and time.

2.12.2 The firm states that a service requirement cannot be met.

2.12.3 The firm's response materially changes a service requirement.

2.12.4 The firm's response limits the rights of the Authority.

2.12.5 The firm fails to include information necessary to substantiate that it will be able to meet a service requirement. **A response of "will comply" or merely repeating the requirement is not sufficient.** Responses must indicate present capability; representations that future developments will satisfy the requirement are not sufficient.

2.12.6 The firm fails to respond to the Authority's request for information, documents, or references.

2.12.7 The firm fails to include any signature, certification, authorization, stipulation, disclosure or guarantee requested in Section 4 of this RFP.

2.12.8 The firm presents the information requested by this RFP in a format inconsistent with the instructions of the RFP.

2.12.9 The firm provides an unauthorized contact regarding the RFP.

2.12.10 The firm provides misleading or inaccurate responses.

2.12.11 The Authority reserves the right to reject a firm based on unsatisfactory past performance of services previously provided to the Authority.

2.13 Nonmaterial and Material Variances

The Authority reserves the right to waive or permit cure of nonmaterial variances in the bid proposal if, in the judgment of the Authority, it is in the Authority's best interest to do so. Nonmaterial variances include minor informalities that do not affect responsiveness; that are merely a matter of form or format; that do not change the relative standing or otherwise prejudice other firms; that do not change the meaning or scope of the RFP; or that do not reflect a material change in the services. In the event the Authority waives or permits cure of nonmaterial variances, such waiver or cure will not modify the RFP requirements or excuse the firm from full compliance with RFP specifications or other contract requirements if the firm is awarded the contract. The determination of materiality shall be in the sole discretion of the Authority.

2.14 Reference Checks

The Authority reserves the right to contact any reference to assist in the evaluation of the bid proposal, to verify information contained in the bid proposal and to discuss the firm's qualifications.

2.15 Information From Other Sources

The Authority reserves the right to obtain and consider information from other sources concerning a firm, such as the firm's capability and performance under other contracts.

2.16 Verification of Bid Proposal Contents

The content of a bid proposal submitted by a firm is subject to verification. Misleading or inaccurate responses may result in disqualification.

2.17 Bid Proposal Clarification Process

The Authority reserves the right to contact a firm after the submission of bid proposals for the purpose of clarifying a bid proposal to ensure mutual understanding. The Authority will not consider information received if the information materially alters the content of the bid proposal. An individual authorized to legally bind the firm shall sign responses to any request for clarification. Responses shall be submitted to the Authority within the time specified in the request. Failure to comply with requests for additional information may result in rejection of the bid proposal as noncompliant.

2.18 Disposition of Bid Proposals

All proposals become the property of the Authority and shall not be returned to the firm unless all bid proposals are rejected, the RFP is cancelled, or the proposal is not timely received. Otherwise, at the conclusion of the selection process, the contents of all bid proposals will be in the public domain and shall be open to inspection by interested parties subject to exceptions provided in Iowa Code Chapter 22 or other applicable law.

2.19 Public Records and Requests for Confidential Treatment

The Authority may treat all information submitted by a firm as public information following the conclusion of the selection process unless the firm properly requests that information be treated as confidential at the time of submitting the bid proposal. The release of information is governed by Iowa Code Chapter 22. Firms are encouraged to familiarize themselves with Chapter 22 before submitting a proposal. The Authority will copy public records as required to comply with the public records laws. Any request for confidential treatment of information must be included in the transmittal letter with the firm's bid proposal. In addition, the firm must enumerate the specific grounds in Iowa Code Chapter 22 or other applicable law which support treatment of the material as confidential and explain why disclosure is not in the best interest of the public. The request for confidential treatment of information must also include the name, email address, and telephone number of the person authorized by the firm to respond to any inquiries by the Authority concerning the confidential status of the materials. Any bid proposal submitted which contains confidential information must be conspicuously marked on the email subject line as containing confidential information, and each page upon which confidential information appears must be conspicuously marked as containing confidential information. Identification of the entire bid proposal as confidential may be deemed non-responsive and may disqualify the firm. If the firm designates any portion of the RFP as confidential, the firm must submit one electronic file of the bid proposal from which the confidential information has been excised. This excised file is in addition to the files requested in Section 4 of this RFP. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the bid proposal as possible. The Authority will treat the information marked confidential as confidential information to the extent such information is determined confidential under Iowa Code Chapter 22 or other applicable law by a court of competent jurisdiction. In the event the Authority receives a request for information marked confidential, written notice shall be given to the firm seven calendar days prior to the release of the information to allow the firm to seek injunctive relief pursuant to Section 22.8 of the Iowa Code. The firm's failure promptly to request confidential treatment of material will be deemed by the Authority as a waiver of any right to confidentiality, which the firm may have had.

2.20 Copyrights

By submitting a bid proposal, the firm agrees that the Authority may copy the bid proposal for purposes of facilitating the evaluation of the bid proposal or to respond to requests for public records. The firm consents to such copying by submitting a bid proposal and warrants that such copying will not violate the rights of any third party. The Authority shall have the right to use ideas or adaptations of ideas that are presented in the bid proposals.

2.21 Release of Claims

By submitting a bid proposal, the firm agrees that it will not bring any claim or cause of action against the Authority based on any misunderstanding concerning the information provided herein or concerning the Authority's failure, negligent or otherwise, to provide the firm with pertinent information as intended by this RFP.

2.22 Presentations

Firms may be required to make a presentation of the bid proposal. The presentation, if necessary, will occur at the Authority's offices. The determination as to need for presentations, the location, order, and schedule of the presentations is at the sole discretion of the Authority.

2.23 Evaluation of Bid Proposals Submitted

Bid proposals that are timely submitted and are not subject to disqualification will be reviewed in accordance with Section 5 of the RFP.

2.24 Choice of Law and Forum

This RFP and the resulting contract are to be governed by the laws of the state of Iowa. Changes in applicable laws and rules may affect the award process or the resulting contract without regard to conflict of laws provisions. Firms are responsible for ascertaining pertinent legal requirements and restrictions. Any and all litigation or actions commenced in connection with this RFP shall be brought in the appropriate Iowa forum.

2.25 Restrictions on Gifts and Activities

Iowa Code Chapter 68B restricts gifts which may be given or received by state employees and requires certain individuals to disclose information concerning their activities with state government. Firms are responsible to determine the applicability of this Chapter to their activities and to comply with the requirements. In addition, pursuant to Iowa Code Section 722.1, it is a felony offense to bribe or attempt to bribe a public official.

2.26 No Minimum Guaranteed

The Authority anticipates that the selected firm will provide services as requested by the Authority. The Authority will not guarantee any minimum compensation will be paid to the firm or any minimum usage of the firm's services.

SECTION 3 -- SERVICE REQUIREMENTS

3.1 Introduction

The services to be provided under this contract shall be as stated in this Section.

3.2 Scope of Work

The services to be performed by the selected firms will include, but are not limited to, the market study requirements attached to this RFP as Exhibit 1, 2015 Market Study Guide. The 2015 Market Study Guide is a draft, but it is not anticipated that substantial changes will be made before it is finalized.

SECTION 4 -- FORMAT AND CONTENT OF BID PROPOSAL

4.1 Instructions

These instructions prescribe the format and content of the bid proposal. They are designed to facilitate a uniform review process. Failure to adhere to the proposal format may result in the disqualification of the bid proposal.

4.1.1 The bid proposal and market study samples shall be emailed to
RFP2015LIHTCMktStudies@iowa.gov.

4.1.2 The bid proposal shall be emailed using name rules shown in Section 4.1.3. The email system will not accept files larger than 20 MB. Therefore, files may need to be compressed or zipped and shall be sent in at least three emails. Each email sent shall include the following information in the main body of the email: *Firm Name, Address, City, Phone Number, Contact Name and Email Address*.

4.1.3 All bid documents will be individually attached to emails:

EMAIL #1

Subject Line: **2015RFP – FIRM NAME – PROPOSAL**

- ✓ Attachment #1 - Technical Proposal
- ✓ Attachment #2 – Certification of Independence and No Conflict of Interest Letter
- ✓ Attachment #3 - Authorization to Release Information

EMAIL #2

Subject Line: **2015RFP – FIRM NAME – FEASIBLE MARKET STUDY**

- ✓ Attachment #4 – Sample of Feasible Market Study

Email #3

Subject Line: **2015RFP – FIRM NAME – NONFEASIBLE MARKET STUDY**

- ✓ Attachment #5 – Sample of Nonfeasible Market Study

All emails and attachments must be timely submitted to the Issuing Officer.

4.1.4 If the firm designates any information in its proposal as confidential pursuant to Section 2.19, the firm must also submit one copy of the bid proposal from which confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the bid proposal as possible.

4.2 Technical Proposal (Attachment 1)

The following documents and responses shall be included in the bid proposal in the order given below:

4.2.1 Transmittal Letter

An individual authorized to legally bind the firm shall sign the transmittal letter. Any request for confidential treatment of information shall be included in the transmittal letter along with the specific statutory basis supporting the request and an explanation why disclosure of the information is not in the best interest of the public. The transmittal letter shall also contain the name, title, address and telephone number of the individual authorized to respond to the Authority about the confidential nature of the information.

4.2.2 Background Information

The firm shall provide the following general background information:

4.2.2.1 Name of firm, corporate mailing address, email address, fax number and telephone number including all d/b/a's or assumed names or other operating names of the firm.

4.2.2.2 Identify and specify the location(s) and telephone numbers of the major offices and other facilities that relate to the firm named above submitting this proposal.

4.2.2.3 Local office address or primary office address that will provide services to the Authority email address, fax number and telephone number.

4.2.3 Personnel

The firm must provide information for all personnel who will be involved in providing the services contemplated by this RFP. The following information shall be included:

4.2.3.1 Table of Organization.

4.2.3.2 Resumes for employees listed in the Table of Organization that include education, years of experience and employment history particularly as it relates to the scope of services specified herein.

4.2.4 Overview and Demonstration of Knowledge

The firm shall prepare an executive summary and overview of the services it is offering, including all of the following information:

4.2.4.1 Statements that demonstrate that the firm understands and agrees with the terms and conditions of the RFP and the proposed contract.

4.2.4.2 Statement through which the firm certifies that the contents of the bid proposal are true and accurate.

4.2.4.3 Statement of ability to satisfy all requirements.

4.2.4.4 An overview of the firm's plans for providing the necessary services to the Authority.

4.2.4.5 Experience in conducting market studies for LIHTC and other affordable housing projects; including projects for families, older persons, special needs populations, affordable assisted living or specify other targeted populations which studies have incorporated.

4.2.4.6 Affirmative statements demonstrating (1) knowledge of and compliance with the Fair Housing Act, (2) the firm has not been debarred from any state or federal programs, (3) the firm will not assign or transfer work, (4) the firm's acknowledgement that each market study will be the property of the Authority.

4.2.4.7 Pricing per market study. State any considerations given for discounts based on market area(s) assigned, and minimum number of market studies accepted or other limitation for assignments.

4.2.4.8 The capacity of the firm. Provide the number of market studies that the firm can complete on or about December 10, 2014, with final market studies completed by January 8, 2015. Please refer to the 2015 Market Study Guide for process details (Exhibit #1). The proposal must demonstrate that the firm has the capacity to perform the number of market studies proposed in the required timeframes.

4.2.4.8.1 List any limitations placed on the proposal such as geographical area(s), types of projects (family, older persons, assisted living, etc.)

4.2.4.8.2 Minimum number of market studies accepted or other limitation for assignments.

4.2.4.8.3 Provide the following table to show capacity the past two years (July 1, 2012 through June 2014):

Month / Year	Total Number of Housing Market Studies Completed	Number of LIHTC Housing Market Studies Completed for State HFA (9% or 4% Allocation)
July 2012		
August 2012		
September 2012		
October 2012		
November 2012		
December 2012		
January 2013		
February 2013		
March 2013		
April 2013		
May 2013		
June 2013		
July 2013		
August 2013		
September 2013		
October 2013		
November 2013		
December 2013		
January 2014		
February 2014		
March 2014		
April 2014		
May 2014		
June 2014		
TOTAL		

4.2.4.9 List all other commitments or potential commitments of the firm to complete market studies for others, such as other state housing authorities, or current clients during the timeframes anticipated as a result of this proposal.

4.2.4.10 Explain why the firm should be awarded this engagement.

4.2.5 Experience

The firm must provide the following information regarding its experience:

4.2.5.1 Number of years the firm has been in business including primary business concentration.

4.2.5.2 Number of years' experience conducting LIHTC market studies by the firm.

4.2.5.3 Provide work flow process. Describe in detail or chart to show typical work flow when an assignment is received through market study completion. Include field work process and review process prior to releasing the study.

4.2.5.4 List the state housing agencies and contact information for the state where your firm currently and actively serves as: (1) a state agency commissioned analyst for market studies for their LIHTC Program; or (2) a publicly approved market analyst for their LIHTC Program.

4.2.5.5 List at least three current or previous clients knowledgeable of the firm's performance in providing services similar to the services described in this RFP and a contact person and telephone number for each reference.

4.2.5.6 List of developers and locations for which the firm has conducted preliminary analysis or market studies in Iowa since January 1, 2013, outside of any work conducted on behalf of the Authority 9% Competitive LIHTC Allocation Rounds.

4.2.5.7 List relevant professional organizations that the firm belongs to and is an active member.

4.2.5.8 Provide two market studies samples which most closely follow the requirements as set out in Exhibit 1, 2015 Market Study Guide included in this RFP. One market study shall determine that the proposed project is feasible in the market and one study shall determine that the proposed project is not feasible in the market. The study where the project is not feasible should include suggestions, where applicable, to make the proposed project marketable. These suggestions may include, but are not limited to, changes in rent, AMI levels, unit mix, total number of units, amenities, or other project features. Market study samples will be submitted separate from Technical Proposal, see Section 4.1.3.

4.2.6 Methodology

The firm must provide information on the methodologies used to reach recommendations and conclusions in market studies, specifically as it relates to:

4.2.6.1 Market Area Definition

4.2.6.2 Local Employment and Economy

4.2.6.3 Demographic Characteristics

4.2.6.4 Competitive Environment

4.2.6.5 Affordability Analysis, Demand Analysis, Capture Rates, and Penetration Rates

4.2.6.6 Local Perspective of Rental Housing Market and Housing Alternatives

4.2.6.7 Analysis/Conclusions

4.2.7 Acceptance of Terms and Conditions

The firm shall specifically agree that the bid proposal is predicated upon the acceptance of all terms and conditions stated in the RFP. If the firm objects to any term or condition, the firm must specifically refer to the RFP page, and Section. Objections or responses that materially alter the RFP may be deemed non-responsive and disqualify the firm.

4.2.8 Terminations, Litigation, Debarment

The firm must provide the following information:

4.2.8.1 During the last five (5) years, has the firm had a contract for services terminated for any reason? If so, provide full details related to the termination.

4.2.8.2 Reserved.

4.2.8.3 During the last five (5) years, describe any damages or penalties or anything of value traded or given up by firm under any of its existing or past contracts as it relates to services performed that are similar to the services contemplated by this RFP. If so, indicate the reason for the penalty or exchange of property or services and the estimated amount of the cost of that incident to the firm.

4.2.8.4 During the last five (5) years, describe any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of the firm to engage in any business, practice or activity.

4.2.8.5 During the last five (5) years, list and summarize pending or threatened litigation, administrative or regulatory proceedings, or similar matters that could affect the ability of the firm to perform the required services. The firm must also state whether it or any owners, officers, or primary partners have ever been convicted of a felony. Failure to disclose these matters may result in rejection a proposal or in termination of any subsequent contract. This is a continuing disclosure requirement. Any such matter commencing after submission of a proposal, and with respect to a successful firm after the execution of a contract, must be disclosed in a timely manner in a written statement to the Authority.

4.2.9 Firm Bid Proposal Terms

The firm shall guarantee in writing the availability of the services offered and that all bid proposal terms, including price, will remain firm a minimum of 90 days following the deadline for submitting proposals.

4.3 Certification of Independence and No Conflict of Interest (Attachment 2)

The firm shall sign and submit with the bid proposal the document in which the firm shall certify that it developed the bid proposal independently. The firm shall also certify that no relationship exists or will exist during the contract period between the firm and the Authority that interferes with fair competition or is a conflict of interest. The Authority reserves the right to reject a bid proposal or cancel the award if, in the Authority's discretion, any relationship exists that could interfere with fair competition or conflict with the interests of the Authority.

4.4 Authorization to Release Information (Attachment 3)

The firm shall sign and submit with the bid proposal the document in which the firm authorizes the Authority to obtain information regarding the firm's performance on other contracts, agreements or other business arrangements, its business reputation, and any other matter pertinent to evaluation and the selection of a successful firm(s) in response to Request for Proposals for Market Study Providers for the LIHTC Program.

SECTION 5 --EVALUATION OF BID PROPOSALS

5.1 Introduction

This Section describes the evaluation process that will be used to determine which bid proposals provide the greatest benefit to the Authority. The evaluation process is designed to award the contract not necessarily to the

firm of least cost, but rather to the firm or firms with the best combination of attributes to perform the required services.

5.2 Evaluation Steps

- a. Review of the bid proposals to assess compliance with mandatory requirements;
- b. Detailed evaluation of proposed services, programs, and solutions;
- c. Evaluation of technical proposals;
- d. Evaluation of cost proposals;
- e. Integration of technical proposal and cost proposal into an Evaluation Committee recommendation; and
- f. Award decision.

5.3 Evaluation Committee

The Authority intends to conduct a comprehensive, fair and impartial evaluation of bid proposals received in response to this RFP. The Authority will use an Evaluation Committee to review and evaluate the proposals. The Evaluation Committee will make recommendations to the Authority's Chief Administration Officer, who will make the final selection. The Chief Administration Officer is not bound by the Evaluation Committee's recommendations.

5.4 Evaluation Criteria

The Evaluation Committee will evaluate all proposals and make award recommendations to the Chief Administration Officer using the following criteria, which are listed in no particular order.

5.4.1 Experience and Qualifications (35%)

The firm's experience in providing services for purposes similar to those outlined in this RFP and the experience of assigned staff.

5.4.2 Methodology (35%)

The firm's demonstrated knowledge to perform the Authority's objectives; including the detail and clarity of the methodology that the firm uses in performing market studies.

5.4.3 Capacity (20%)

The firm's demonstrated capacity to complete the number of market studies assigned in the timeframe(s) required.

5.4.3 Pricing (10%)

The firm's fee proposal will be evaluated in relation to other fee proposals received. The winning proposal may not be the proposal with the lowest cost.

SECTION 6--CONTRACT TERMS AND CONDITIONS

6.1 Contract Terms and Conditions

The Authority will include the contract terms and conditions in the award letter sent to the winning firm or firms. More than one firm may be selected but will not be determined until after the bids are evaluated. The resulting contract will consist of the following: the terms and conditions of this RFP, the offer contained in the firm's proposal, and other terms necessary for completing the services outlined in this RFP. The Authority may negotiate compensation of the selected firm and may renegotiate such compensation if conditions warrant.

6.2 Contract Length

The term of the contract will be for an initial term of one (1) year with up to four (4) optional one-(1) year extension periods if the Authority chooses to extend the initial contract. No guarantee should be presumed see Section 2.26.

EMAIL 1

Attachment #1

**TECHNICAL PROPOSAL
SECTION 4 - 4.2 through 4.2.9**

EMAIL 1

Attachment #2

4.3 CERTIFICATION OF INDEPENDENCE AND NO CONFLICT OF INTEREST LETTER

(To be placed on Firm Letterhead/Template)

[Date]

Dave Vaske, Issuing Officer
Iowa Finance Authority
2015 Grand Avenue
Des Moines, IA 50312
dave.vaske@iowa.gov

RE: Request for Proposals for Market Study Providers for the LIHTC Program

CERTIFICATION OF INDEPENDENCE AND NO CONFLICT OF INTEREST

Dear Mr. Vaske:

By submitting its Proposal in response to the Request for Proposals for Market Study Providers for the LIHTC Program (RFP), the undersigned certifies the following:

1. The Proposal has been developed independently, without consultation, communication or agreement with any employee or consultant to the Authority who has worked on the development of this RFP, or with any person serving as a member of the Evaluation Committee.
2. The Proposal has been developed independently, without consultation, communication or agreement with any other firm or parties for the purpose of restricting competition.
3. Unless otherwise required by law, the information found in the Proposal has not been knowingly disclosed and will not be knowingly disclosed prior to the award of the contract, directly or indirectly, to any other firm.
4. No attempt has been made or will be made by **[Name of Firm]** to induce any other firm to submit or not to submit a proposal for the purpose restricting competition.
5. No relationship exists or will exist during the contract period between **[Name of Firm]** and the Authority that interferes with fair competition or is a conflict of interest.

Sincerely,

Name of Firm

Name & Title of Authorized Representative

Signature

EMAIL 1

Attachment #3

4.4 AUTHORIZATION TO RELEASE INFORMATION

(To be placed on Firm Letterhead/Template)

[Date]

Dave Vaske, Issuing Officer
Iowa Finance Authority
2015 Grand Avenue
Des Moines, IA 50312
dave.vaske@iowa.gov

RE: Request for Proposals for Market Study Providers for the LIHTC Program

AUTHORIZATION TO RELEASE INFORMATION

Dear Mr. Vaske:

("Firm") hereby authorizes the Iowa Finance Authority ("Authority") to obtain information regarding its performance on other contracts, agreements or other business arrangements, its business reputation, and any other matter pertinent to evaluation and the selection of a successful firm(s) in response to Request for Proposals for Market Study Providers for the LIHTC Program.

The Firm acknowledges that it may not agree with the information and opinions given by such person or entity in response to a reference request. The Firm acknowledges that the information and opinions given by such person or entity may hurt its chances to receive contract awards from the Authority or may otherwise hurt its reputation or operations. The firm is willing to take that risk.

The Firm hereby releases, acquits and forever discharges the State of Iowa, the Authority, their officers, directors, employees and agents from any and all liability whatsoever, including all claims, demands and causes of action of every nature and kind affecting the undersigned that it may have or ever claim to have relating to information, data, opinions, and references obtained by the Authority in the evaluation and selection of a successful firm in response to the Request for Proposals.

The Firm authorizes representatives of the Authority to contact any and all of the persons, entities, and references which are, directly or indirectly listed, submitted, or referenced in the undersigned's proposal submitted in response to the Request for Proposals.

The firm further authorizes any and all persons and entities to provide information, data, and opinions with regard to the undersigned's performance under any contract, agreement, or other business arrangement, the undersigned's ability to perform, the undersigned's business reputation, and any other matter pertinent to the evaluation of the Firm's Proposal.

The undersigned hereby releases, acquits and forever discharges any such person or entity and their officers, directors, employees and agents from any and all liability whatsoever, including all claims, demands and causes of action of every nature and kind affecting the undersigned that it may have or ever claim to have relating to information, data, opinions, and references supplied to the Authority in the evaluation and selection of a successful firm in response to the Request for Proposal.

A photocopy, facsimile or scanned copy of this signed Authorization is valid as an original.

Sincerely,

Name of Firm

Name & Title of Authorized Representative

Signature

EMAIL 2

Attachment #4

Sample Market Study – Feasible Conclusion

EMAIL 3

Attachment #5

Sample Market Study – Non Feasible Conclusion

2015

EXHIBIT #1

Low-Income Housing Tax Credit Market Study Guide



IOWA FINANCE
AUTHORITY

**IOWA FINANCE AUTHORITY
LOW-INCOME HOUSING TAX CREDIT
2015 MARKET STUDY GUIDE – FINAL DRAFT**

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INTRODUCTION

The Iowa Finance Authority (IFA) will commission a comprehensive market analysis full narrative report for each project applying in a 9% competitive round. IFA will rely on the report to determine the proposed project's feasibility.

IFA recommends that prior to submitting a 9% Low Income Housing Tax Credit (LIHTC) Application Applicants independently obtain market information sufficient to satisfy their own concerns as to market viability as outlined in this IFA Market Study Guide. Applicants shall provide a brief one page statement with market information they believe may be helpful in determining the market feasibility of the project. The Applicant is also encouraged to submit any third party market information that would be helpful in determining the market feasibility of the project, including but not limited to an independently-obtained market study and information from proposed service providers, or other market information. IFA will then provide the exhibit from the on-line application to the commissioned Market Study Provider. The Market Study Provider shall review and evaluate the information submitted while conducting the market analysis. By submitting this information, Applicants are afforded the opportunity to provide input that may be considered in the determination of market feasibility. However, neither IFA nor the Market Study Provider will be bound by the Applicant's written statements, independent market study or the market information. In addition, the Market Study Provider shall evaluate the on-line application information for market feasibility as submitted, to make recommendations for changes, and determine the sustainability of the market for each application. When more than one application has been submitted provide clear-cut market recommendations amongst the proposed projects.

Market feasibility for a project, as measured by the Market Study Provider, will be based on, but not limited to, the following factors: Primary Market Area (PMA), economic conditions, demographic data, capture rate, penetration rate, absorption rate, stabilized occupancy rate, vacancy rate, and support of the unit mix, targeted population, and competitive market conditions.

If the individual market study analysis or the analysis of comparing more than one project located in the same market area does not demonstrate market feasibility the proposed project will be rejected at IFA's sole discretion.

COMMISSIONED MARKET STUDY PROCESS

IFA will commission a market study for all 9% LIHTC Applications. Market Study Companies will be selected through a formal Request for Proposal (RFP) process. The Agreement(s) awarded will be for an initial one year period then IFA will have the option to extend the Agreement(s) annually up to four additional years, if mutually agreeable. Market Study Providers who enter into an Agreement with IFA will be restricted as to other work they perform.

- A Market Study Provider under Agreement with IFA will be asked not to perform market studies in Iowa for clients likely to participate in the annual LIHTC 9% competitive tax credit round. If a market analysis is performed by a market study provider which conflicts with these restrictions IFA has the right to remove any assignments with no obligation to pay for services rendered.
- A list of all work performed in the State of Iowa will be requested annually prior to the extension of an Agreement. This will allow IFA to ensure the identified work is not in conflict with assignments given in the 9% competitive round. Market Study Providers can perform 4% Tax Credit/Tax Exempt Bond market studies and appraisals for other IFA programs not associated with a 9% LIHTC Program.

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- The Market Study Provider or its affiliates may not be a part of a qualified development team in an Iowa tax credit round in which they are under a Market Analysis Agreement.
- IFA shall be able to rely on the market study report to determine if a market area is feasible or undesirable as a single project or in comparison to multiple properties in one market area.
- The Market Study Provider understands the QAP provides an appeal provision where the developer/applicant can file written notice of appeal within seven (7) days of the award. If an appeal is filed contesting the market study, the Market Study Provider may be asked to provide support to IFA's management and, if necessary, participate in Court.
- If a Market Study Provider has any questions or concerns please contact Dave Vaske, Tax Credit Manager, by phone 800-432-7230 or 515-725-4900 or by email dave.vaske@iowa.gov.

Applications for the 2015 competitive LIHTC Round will be due on or before **December 9, 2014, by 4:30pm.** Awards for tax credit allocations will be made in March 2015.

The LIHTC Developer/Owner Entity (Applicants) shall submit an online application with required exhibits and fees for submission including the required market study fee.

IFA will determine market study assignments by the close of business **December 10, 2014.** IFA will determine the number of studies and areas assigned to Market Study Providers. During the RFP selection IFA reserves the right to select providers to perform services similar or identical to the Scope of Services described in this guide. IFA may enter into an Agreement with multiple providers. IFA reserves the right to use one or more providers as alternates at IFA's sole discretion. No guarantee of assignments or specific market areas can be assumed by providers throughout the contract term.

The Online Application and Exhibits will be made available to market analysts for each project assigned by issuing individual analyst's log-on rights. An authorized representative of the Market Study Provider and primary contact will be responsible for providing a list of staff names including their email addresses to gain access to our online application no later than **December 1, 2014.** Once assignments are made the analysts will have access to the IFA on-line Tax Credit Allocation and Compliance system (TAC) as necessary to evaluate the project. The staff assigned and given access shall assume that all information received is confidential unless otherwise designated by IFA. No confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by law and with written consent of IFA, either during the period of the Agreement or thereafter. Training on TAC will be provided prior to assignments being made. Access to TAC is read-only and will remain available until the Market Study Reports are completed. Security and confidentiality clauses will be incorporated in the Agreement, and all staff using the system shall adhere to strict confidentiality. Supplemental documents provided in the application, if any will be available on-line or sent electronically by the close of business **December 10, 2014.** If IFA receives any additional documents of interest to the market after the assignments are made IFA will distribute the information by email to the authorized representative of the Market Study provider. The comprehensive Market Analysis Full Narrative Reports are due to IFA on **January 8, 2015.**

If the Market Study Provider evaluates more than one project in a town, city or market area IFA will require a comparison narrative no later than **January 12, 2015.** The narrative should identify and discuss:

- If all projects were funded can they achieve full occupancy and successfully compete in the market area and sustain competitiveness? If not, why?

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- Distinguish the most desirable to least desirable projects and why.
- Identify any concerns when compared together versus standalone (i.e., unit size, amenities, targeted populations, existing low-income or market rate units, etc...).

All information will be transmitted electronically between the Market Study Provider and IFA. The following files should be submitted individually:

- One copy of the full market study report.
- One copy of the comparison narrative, if applicable.

The Market Study Provider may contact the Applicant at any time to clarify information provided in the online application or exhibits. However, the Applicant may not contact the Market Study Provider unless they are responding to a question posed by the Market Study Provider. If an Applicant directly contacts the Market Study provider the Provider, should notify IFA that contact was made and content of information received.

The Developer/Owner Entity Contact (Applicant) will be notified of allowable changes recommended by the Market Study Analyst during the IFA deficiency period, which will start on approximately **January 20, 2015**, and responses will be due by close of business **February 3, 2015**. Applicants will be permitted to make changes to income targeting, decreased rents, and the addition of amenities, if recommended by the Market Study Analyst. Changes that are made by the Applicant that were not recommended will not be allowed. An updated market study will not be prepared. After research and analysis is conducted by the Market Study Provider all recommendations for market feasibility should be specified clearly regardless of whether it is an allowable change or not. IFA reserves the right to review and request additional information from the Market Study Provider necessary to conclude market feasibility.

IFA will forward the market study and comparison of the market evaluation, if applicable, to the Applicant only after tax credit awards have been approved by IFA's Board of Directors. The Executive Summary and market comparison evaluations will be made available to the IFA Board.

MARKET STUDY REQUIREMENTS

Market Study Providers are required to submit a comprehensive market analysis full narrative report that conforms to the format outlined below.

Sections A-O shall be organized in the following format:

A. Executive Summary

The executive summary shall include a concise summary of each section of the market study including data, analysis, and conclusions. Minimum content of the Executive Summary includes:

1. Concise description of the site and the adjacent surrounding area/surrounding land uses.
2. Brief summary of the subject development, including the proposed targeted population to be served.
3. Summary of economic conditions including employment trends, anticipated changes in the market.

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4. Describe market area boundaries and support of the defined primary market area.
5. Summary of key demographic data including targeted market households and trends, household income.
6. Summary of competitive market conditions.
 - a. Specify if the proposed unit mix, AMGI levels and number of units are appropriate for the target market and why.
 - b. Specify if the project and unit amenities proposed are competitive in the market.
 - c. Average vacancy of market rate properties in the market area.
 - d. Average vacancy rate of LIHTC properties in the market area.
 - e. Specify if the project can achieve occupancy of 93% or higher.
 - f. Average vacancy of project-based subsidized properties in the market area.
 - g. Specify if the market area had elevated vacancy of a specific bedroom size.
 - h. Specify if the market area had elevated vacancies in family or senior units.
 - i. Specify if the proposed rents are achievable. How do the proposed rents compare to market rate and LIHTC rents in the market area?
7. Summary of demand for the proposed development including a concise statement of the analyst's opinion of market feasibility, determined by factors of market demand.
 - a. Capture rate for the subject property. If recommendations are provided in the report, it should be clear if this capture rate is as proposed or assuming the analyst's proposed recommendations are followed.
 - b. Penetration rate for the subject property. If recommendations are provided in the report, it should be clear if this penetration rate is as proposed or assuming the analyst's proposed recommendations are followed.
8. Summary of positive and negative attributes and issues that will affect the property's marketability, performance, and lease-up. Mitigating factors of any negative attributes should be identified, if any.
9. Precise statement of key conclusions reached by the analyst. This statement should provide a definitive evaluation of the proposed development and the likelihood of its success as proposed. This statement should reconcile any conflicting data indicators among the various sections of the report.
10. If needed, recommendations and/or suggested modifications to the proposed project. It should be clear if these modifications would be necessary for the project's success.
11. Absorption estimate for the subject property. If absorption is 12 months or higher include recommendations provided in the report, it should be clear if this absorption estimate is as proposed or assuming the analyst's proposed recommendations are followed.

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B. Introduction and Scope of Work

The introduction of the market study should summarize the report's purpose and scope of work conducted during the preparation of the report. This section should include:

1. Type of report - Must be a Comprehensive Market Analysis Full Narrative Report, Comprehensive Summary Report.
2. Client and project developer.
3. Intended use and users of the report.
4. Identify steps taken in completion of the report. If any significant steps were not taken, identify and explain.
5. Date of field work and site visit.
6. Person conducting field work.
7. Primary analyst reaching conclusions of report.

C. Project Description

The market study should include a project description detailing the analyst's understanding of the project as proposed.. After site plan reviews, on-site visits and interviews are complete any additions or conflicting statements should be listed:

General Requirements:

1. The proposed unit mix broken out by bedroom sizes and targeted income levels, bathrooms, square footage, estimated utility costs, and proposed net rents and gross rents.
2. The community's target market and any tenancy restrictions. This includes but not limited to include income restrictions, age restrictions (specify 62+ or 55 and older), or special needs.
3. Utility energy sources and proposed utility policy (utilities included in rent).
4. Description of the proposed/existing development including:
 - a. Number of buildings and building design including:
 - i. Building type (walk-up, single-story, mid-rise, high-rise, etc.).
 - ii. Number of stories.
 - iii. Exterior finish.
 - b. Common area/site amenities.

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- c. Unit features and finishes.
- d. Parking options provided including number of spaces and any parking fees.
- 5. Expected Placed-In-Service Date.
 - a. If an acquisition rehab – Date of expected acquisition.
- 6. Identify if property has project-based subsidies (USDA, HUD, VASH, etc.) and number of units assisted.
- 7. Review architectural plans, name of the architect, and/or a copy of the floor plans and elevations from the on-line application.
- 8. If conflicting information is found between on-line application content and exhibits (i.e., site plans, maps, or interviews) any discrepancies shall be identified.
- 9. Description of supportive services; or occupancy restrictions for tenants who are members of a specified group under a Federal program or State program or policy that supports housing for such a specified group or who are involved in artistic or literary activities.
- 10. Income restrictions for each unit type including maximum and minimum income limits should be presented.
- 11. For Senior projects the Analysts should discuss the appropriateness of the age restriction in light of local market conditions and experiences of comparable properties.
- 12. For rehabilitation projects ([NCHMA's Preservation Analysis White Paper](#)), provide:
 - a. Description of proposed scope of rehabilitation including a breakdown of hard and soft costs, if available.
 - b. An estimate of total construction cost and cost per unit.
 - c. Identify existing unit mix and rents including any existing housing subsidies. Compare current and proposed rents.
 - d. Current and historical occupancy information.
 - e. If the project is an existing LIHTC project, the Analyst shall obtain historical information from IFA's Compliance Director.
 - f. Current and historical occupancy information shall be obtained. If not available a statement why the analyst was unable to obtain shall be provided.
 - g. An analysis of the current rent roll to determine if existing tenants will remain income qualified and/or able to afford the proposed rents. If not available, a statement why the analyst was unable to obtain it shall be provided.

D. Location

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Provide a description of the site characteristics including its size, shape, general topography, vegetation and proximity to adverse conditions.

1. Provide photographs of the site and neighborhood including description of picture and vantage point.
PHOTOGRAPHS MUST BE TAKEN AT TIME OF SITE VISIT.
2. Identify land uses directly surrounding the subject site.
3. Provide a map of the site.
4. Describe the proposed ingress/egress of the subject property and identify any potential concerns with site accessibility.
5. Describe and evaluate the visibility of the site.
6. Provide analysis of neighborhood amenities available. Along with analysis, provide a table and map of neighborhood amenities and their distance from the subject site including transportation linkages, shopping, schools, medical services, public transportation, places of worship, recreational amenities and other services such as libraries, community centers, banks, etc.
7. Comment on the availability of public transportation.
8. Provide analysis of public safety issues including information or statistics on crime in the PMA relative to data for the overall area. Address any local perceptions of crime or problems in the PMA.
 - a. If warranted recommend safety measures not being provided in the application.
9. Provide conclusion concerning the suitability of the proposed site for the proposed use.

E. Market Area Definition

1. Define the primary market area (PMA). Identify PMA boundaries by census tracts, jurisdictions, street names, or other geography forming the boundaries. Also define the larger geographic area in which the PMA is located (i.e. city, county, MSA, etc.) See: [NCHMA's Market Area White Paper](#). PMA discussion should include:
 - a. A detailed narrative explaining how the market area was determined. The narrative should include market specific language rather than a list of generic concepts or factors considered.
 - b. Identify borders of the market area and approximate distance from the subject property/site.
2. Include a map of the PMA including the subject site.

F. Employment and Economy

Provide data and analysis on the local employment and economy to provide a general understanding of the overall economic health of the region and its potential impact on household trends. Economic data should be presented for the market area or the smallest geographic area available, which is often the county. This data should be compared to regional data, which could include county, MSA, state, and/or nation. List data sources and describe the methodology for the analysis.

General Requirements:

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1. Provide total At-Place Employment for the past ten years. “At-Place Employment” measures the number of jobs located within a specific geography and should not be confused with Employed Labor Force. Recent trends (job loss/gain) in At-Place Employment should be identified and discussed.
2. Show At-Place Employment by Sector and Employment Change by Sector. Identify the most important employment sectors in the area, potentially including share of employment and employment growth.
3. Show the historical unemployment rate for the last ten years (or other appropriate period) for the most appropriate geographic areas.
4. List major employers in the PMA and/or region including the type of business and the number employed.
5. Comment on recent or planned major employment expansions or reductions including potential impact on demand for rental housing. Comment on trends and projections of employment in the PMA, if any.
6. In relevant markets (such as resort areas), comment on the availability of affordable housing for employees of businesses and industries that draw from the PMA.
7. Provide a breakdown of typical wages by occupation or industry sector.
8. Document commuting patterns for workers including commuting time and destination.
9. Provide conclusion stating whether economic conditions will have a significant positive or negative impact on the subject property.

G. Demographic Characteristics

Demographic data should be presented for the PMA and a comparison area, which may include a secondary market area, county, or MSA. Sources of data, projections, and estimates should be clearly identified. Data should reflect the most recent decennial Census Data, recent American Community Survey information, and data provided by third-party providers (Ribbon/Claritas – HISTA, ESRI, MapInfo etc...) (identify and discuss methodologies used to derive estimates or projections both 3rd party provider and other government census data used in the report). Analyst should present detailed discussions of methodologies used to derive estimates or projections including identifying 3rd party providers. A Market Study Provider shall use a 3rd party company for projections.

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General Requirements:

1. Population and household counts for:
 - a. Historical Census Data
 - b. Current Year
 - c. Projection for Five Year Growth or Anticipated Placed in Service Date
2. Population and households characteristics including:
 - a. Age
 - b. Household type
 - c. Household size
 - d. Tenure
3. Income distribution for total households and renter households using Census increments.
4. An analysis of trends indicated by the demographic data.
5. Historical building permits trends by housing type should be analyzed in the context of recent household trends and projections.
6. Summarize any specific demographic trends that positively or negatively affect rental housing demand.
7. Detailed income increments for the lower income households shall be included to provide additional detail.
8. Information on substandard housing and an analysis of rent as a percent of income (rent burden) shall be presented.
9. Senior Requirements:
 - a. Population and household estimates and projections shall be provided for the appropriate age classification.
 - b. Significant populations of older adults should be identified as a potential long-term source of demand for senior rental housing, if applicable.

H. Competitive Environment

A market study shall include a comprehensive description and analysis of the rental market serving the primary market area. While the focus of this section should be those properties that are most comparable to the subject property, the scope of the survey/analysis should be sufficient in breadth to evaluate where the subject property fits within the overall rental market. If available and relevant, an overview of the regional rental market including number of units planned/under construction and recent trends in rents and vacancies should be provided. As the tenant-paid rents at rental communities with project based rental assistance (Section 8, Public Housing, and USDA) are based on income, they are not generally an accurate representation market conditions. As such, the

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contract rents and vacancies at these communities should be presented independently of properties without these subsidies. At a minimum, a market study should include:

General Requirements:

1. Provide an overview of the primary market area's housing stock including age, condition, structure type, and any identified market trends.
2. Discuss recent development activity in the market area including recently constructed rental communities and those planned or under construction in the market area. The market study must include separate estimates of the numbers of rental units currently under construction and the numbers of units in the planning and development stages that are likely to enter the housing market during the specified forecast period. These estimates should include all rental developments known, not solely those determined by the analyst to be comparable and competitive. The location of each pipeline community relative to the subject site should be presented. The report should contain estimates of:
 - a. The number of projects currently under construction, expected completion date, the total number of units, unit mix breakdown by bedroom size, income target, and structure type.
 - b. The number of projects in planning stages that are likely to be developed, including but not limited to those with building permits or firm financial commitments, including details on the number of units by bedroom size, rents, locations, and stage of development.
 - c. Identify any projects that will specifically compete with the subject property.
3. Identify the most comparable communities to the subject property and provide a narrative evaluation of the subject property in relation to these communities. Market studies addressing affordable communities should identify the most comparable affordable communities and market rate comparables used for a comparison of rents. The study should explain how these communities were selected as the most comparable and why other projects were excluded ([NCHMA's Comparable Property White Paper](#)).
4. Conduct a survey of a representative sample of rental communities in the primary market area. This survey should be conducted in person with a minimum of 4 surveys per bedroom size and unit type more should be surveyed. It is recommended to include more rental communities if they exist in the market area. If the minimum survey was not conducted a detailed explanation shall be provided. The proposed rents, amenities, and features of the subject property should be shown in comparison to existing communities in all tables. Information provided for each community should include:
 - a. Name, address, occupancy target (senior/general occupancy), year built, condition, and property contact information.
 - b. Unit mix including bedroom sizes and number of bathrooms, square footage, and rents.
 - c. Current occupancy, historical occupancy if available, and absorption history (if recent/available).
 - d. Waiting lists.
 - e. Current concessions being offered.

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- f. Unit features including kitchen amenities, utility information (those included and energy source), and other features such as ceiling fans, patios, washer/dryer connections, etc...
 - g. Community amenities such as recreation, laundry, and parking.
 - h. Include a map of surveyed communities in relation to the subject site.
- 5. In markets with limited multi-family rental communities or lower-density subject properties, provide an analysis of available scattered site rentals including pricing and other available/pertinent data.
- 6. Compare and analyze the subject property to the surveyed rental communities in terms of amenities, tenant paid utilities, location, parking, concessions, and rents. This analysis shall be refined to include only the most comparable communities.
- 7. Present the vacancy rate for the surveyed rental stock. As appropriate, vacancies should be broken up by property classifications and target market, which may include market rate, LIHTC, deeply subsidized (rent based on tenant income), senior, special needs, etc. As available, vacancy data should be provided by bedroom size.
 - a. Vacancy trends should be provided and discussed if available/relevant.
 - b. Significant seasonal variations in vacancy rates should be discussed if applicable.
 - c. Any vacancy or absorption problems should be identified and discussed, particularly among the most comparable rental communities.
 - d. Identify any significant variances in vacancy rates that exist among price point, location, bedroom size, product type, target market, etc...
- 8. Absorption experience of recently completed rental developments as available, including units per month estimates for each project, with particular emphasis on comparable and competitive projects that have entered the market within the past 24 months.
- 9. Current effective rents should be provided for each of the surveyed rental communities by bedroom size. Effective rents should account for any current incentives and should be adjusted to reflect a consistent utility policy.
 - a. Current incentives should be identified.
 - b. Rent trends for the past 24-36 months should be included if available.
 - c. Any options/upgrades should be identified with the associated costs.
- 10. Discuss the availability and cost of affordable housing options, including purchase or sale of homes, if applicable. The impact, if any, of the single family and condominium market conditions, including an analysis of the cost to rent versus to own, and the impact of foreclosures and of the shadow single-family and condominium rental market.
- 11. Provide a list of all affordable housing communities including LIHTC communities and deeply subsidized communities (Section 8, Public Housing, and USDA). Any LIHTC communities not included in the analysis should be identified with an explanation of its exclusion.

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12. To accurately understand rent structure, rents of the subject property and existing LIHTC communities should be broken out by AMI level.
13. Vacancy among existing LIHTC communities should be provided by AMI. If not available provide explanation. Furthermore, vacancies for units with and without project based subsidies should be included.
14. Derive a market rent and an achievable restricted rent and then compare them to the developer's proposed rent. Quantify and discuss market advantage of the subject and impact on marketability ([NCHMA's Market Rent White Paper](#)). Market Study Provider shall assume LIHTC units have a 10% market advantage for each bedroom size when evaluating comparable Market Rate units in the primary market area.

Additional Senior Requirements:

15. Age restricted properties should be analyzed separately from general occupancy communities when evaluating rents, occupancy, services, etc...
16. Examine features and amenities that are specifically designed to address seniors.
17. When available, an analysis of senior renters at comparable communities should be provided including average age of residents at entry, frequency of previous homeowners becoming renters, and household size.

I. Affordability Analysis, Demand Analysis, Capture Rates, and Penetration Rates ([NCHMA's Recommended Practices for Determining Demand](#)).

The market study should include measurements of potential support of any given product. The analysis should first determine if additional demand exists in the market to support a proposed expansion of the multi-family rental stock. Further, the analyst should address whether sufficient demand or need exists to support to the proposed development.

General Requirements:

1. Comment on the overall level of demand for rental housing in the market area based both on net demand for additional rental housing and needs addressing the existing population/housing stock.
2. Conduct an affordability analysis detailing the number of income-qualified renter households that the subject property will address. Components of the affordability analysis include:
 - a. A minimum income, which is based on the proposed rents and an acceptable rent burden of no more than 40%. Rent burden refers to the maximum percentage of income households will be willing or allowed to spend for rent. Analysts should identify if minimum income is based on asking rent or gross rent (including utility cost).
 - b. A maximum income limit, which is based on applicable housing program requirements or perceived target market for unrestricted market rate communities.
 - c. An affordability analysis capture rate is determined by dividing the number of proposed units by the number of renter households within the target income segment. Please use Addendum A.

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3. Calculate the penetration rate. A penetration rate measures the percentage of income-qualified households needed to fill the subject property, existing competitive units, and proposed competitive units. Given the inclusion of additional properties, the target income range may differ from that of the subject property. A detailed description of how the income range was calculated should be included.
4. Analyst must evaluate the overall demand, affordability analysis, and penetration rate analysis and render an opinion on the potential impact of these indicators may have on the subject property.
5. Demand estimates and capture rates for affordable housing communities should address both overall demand, demand by income target (AMI), and demand by bedroom size and income target. Demand by income target and bedroom size can be used to determine if the community is too heavily weighted towards a particular income level or bedroom size.
6. Demand, affordability, and penetration rate analyses should be conducted both with and without project-based housing assistance. Analyst should provide a conclusion stating whether project feasibility is dependent upon project-based rental subsidies. The analysis of the project without project-based rental subsidies may include assumptions regarding proposed rent on the part of the analysis. Rents analyzed should be the lesser of proposed rents or maximum allowable programmatic rents.
7. Specific demand estimates required by the applicable state allocating agency shall be calculated. Typical demand methodologies measuring need rather than demand include estimates of overburdened renter households and those living in substandard housing (see NCHMA's Market Study Terminology for substandard housing). If the analyst has concerns with the prescribed methodology, an explanation of how the required methodological approach is inadequate should be included.
8. Any additional sources of demand other than those prescribed from the required methodology should be itemized. Capture rates should be shown both with and without any additional sources of demand.
9. All data sources used to determine demand should be easily identifiable and easily replicated.

Additional Senior Requirements:

18. Demand for senior communities should be measured on appropriate minimum age classification.
19. Demand for senior communities that includes homeownership conversion should be conservative and take into account the ability, or lack thereof, of seniors to sell homes.
20. Maximum income limits for senior communities should be based on a maximum household size of two persons. Maximum income limits for efficiency units or smaller one bedroom units may be based on less than two persons per household.
21. Underwriting (rent burden) percentage for senior communities may be different than general occupancy communities.

Additional Market Rate Requirements:

22. Compute an estimate of demand for new rental units in the market area. This demand estimate measures rental demand for a three or four year period to coincide with the estimated placed-in-service date of the

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subject property. As this demand analysis is a measurement of the overall rental market, it is based on the universe of rental housing rather than specific income targets. This demand estimate should consider:

- a. Renter household growth during forecast period.
 - b. Recent trends in tenure that may increase/decrease demand for rental units.
 - c. Replacement of existing rental units from the inventory due to demolition, conversion, housing quality, shifting owner units into the rental market and by other means, and consideration of any current excess vacant supply based on a balanced market vacancy rate.
23. The demand estimate should be presented in terms of the number of rental units needed for the market area to be balanced.
24. This gross demand estimate should be reconciled with estimated additions to the rental market (units under construction, approved, or proposed).
25. Although market rate communities are not subject to maximum income limits, analysts should make a determination of reasonable target market. Market rate units at mixed income communities generally target renter households earning no more than 80 to 100 percent of the AMI. Luxury rental products, especially those in urban markets, can often target renter households earning upwards of 150 percent AMI.

J. Local Perspective of Rental Housing Market and Housing Alternatives

The market study shall include a summary of the local perspective on the rental market, the need for the proposed development and unmet housing needs within the market. The local perspective should consider interviews **in person** with local planners, housing and community development officials, and market participants to estimate proposed additions to the housing supply that would compete with the subject development and to evaluate the local perception of need for additional housing. If the interview cannot be conducted in person the analyst should provide reasons why it was not possible.

LIHTC/Affordable Requirements:

1. Provide the total number and availability of Housing Choice Vouchers and the number and types of households on the waiting lists for housing choice vouchers.
2. Interviews with local public housing authority (PHA) officials to solicit comments on the need for housing and the possible impact of the proposed development on the housing inventory and waiting lists for subsidized housing.
3. The Director of Compliance at IFA should be contacted to discuss current LIHTC properties in the market area.

K. Analysis/ Conclusions

The analysis and conclusions section of the market study should summarize salient points from each section of the market study used by the analyst to reach the final conclusion.

1. Estimate the absorption rate for the subject property and the corresponding lease-up period. The absorption period should be based on stabilized occupancy of at least 93% rather than 100 percent occupancy.
2. Compare the proposed development to comparable rental communities including:

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- a. Unit distribution.
 - b. Community amenities.
 - c. Included utilities.
 - d. Unit features and finishes.
 - e. Unit square footage.
 - f. Location.
- 3 Identify any significant competitive advantages or disadvantages of the proposed development.
 4. Discuss the proposed price position relative to the existing rental market. Comment on the appropriateness to the proposed rents in light of the proposed location and product to be constructed. Identify risks (i.e. competitive properties which may come on line at the same time as the subject property; declining population in the PMA, etc.), unusual conditions and mitigating circumstances.
 5. Discuss any impact (short/long term) the subject property will have on the overall rental market and comparable rental communities.
 6. The final conclusion of the report should reconcile any conflicting data in the report. For example, experience of comparable properties may indicate less/more demand than indicated in the demand section of the report.
 7. Evaluate need for voucher support or HUD contracts.
 8. Proposed rents should be evaluated for each proposed income level, rather than an average by bedroom size.
 9. Analysts should comment if specific units (bedroom/AMI) will lease significantly faster or slower than the remainder of the project.
 10. Compare the subject's proposed rents to local payments standards or median rents.

L. Other Requirements

1. IFA Certification for each study:

I affirm that I, or an individual employed by (COMPANY), have conducted a physical inspection of the project site and market area the information has been used in the full narrative market study of the need and demand for the proposed rental units. To the best of my knowledge, as an individual project the market can (cannot) support the project as shown in the study. I understand that any misrepresentation of this statement may result in the denial of further participation in IFA's rental housing programs. No principal or employee of (COMPANY) has any financial interest whatsoever in the development for which this analysis has been undertaken and my compensation is not contingent on this project being funded.

2. Statement of analyst's qualifications.

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3. List of sources for data in the market study that are not otherwise identified.
4. NCHMA Market Study Checklist.
5. NCHMA Member Certification, if applicable.
6. Identify the source of utility allowance estimate provided in the on-line application. Note any conflicts with submitted form and information obtained. This could include a utility allowance which was current at the time of application now updated.

M.ADDENDUM A –

Summary tables shall be completed and included in the market study. The IFA Excel Spreadsheet Addendum A is required. Please contact IFA if you have any questions or concerns regarding Addendum A. A sample of this exhibit is attached to this guide as Exhibit Addendum A. An electronic copy of the spreadsheet will be provided on our website.

N. Addendum B Rent Grid

Based on the comparables identified in the market study, determine the market rent of the units in the proposed project and the market advantage the rents of the proposed project would have over the comparables. In deriving a market rent, the Market Study Provider shall use the most current version Rent Grid (HUD 92273-S8) to document both the characteristics of the subject and the comparables and the adjustments made for differences between a comparable and the subject. Also, please review parking requirements and include a narrative of how it may adjust rents, if applicable (i.e., none, off street, metered, rent charged, etc).

1. A Rent Grid is required for each bedroom size with complete data and an adjustment column for each comparable. All lines of the data columns shall be completed, including lines/characteristics for which no adjustment will be made. A blank copy of the grid can be found at:
<http://www.hud.gov/offices/adm/hudclips/forms/files/92273-s8.xls>
2. The Market Study Provider shall provide a concise narrative justifying why each adjustment was made and how the dollar value of the adjustment was derived. A simple reiteration of an adjustment is not acceptable. A separate narrative of explanations is required for each Grid. An explanation is required if the data columns show that a comparable differs significantly from the subject.
3. Based on the number of competing properties that are market rate units in the Primary Market Area, discuss the expected magnitude of the change in the penetration rates calculated above when including these competing market rate units to the LIHTC units used in the calculation. Include a narrative on what these expected penetration rates may mean for the project (**i.e. given the analysis market area, bedroom size mix, and other factors within this market study**): Please use the following description that best describe the expected penetration rates within the narrative: Excellent, Good, Average, Fair, or Poor
4. Address whether the project, in light of vacancy and stabilization rates of the local market area, is likely to result in a higher vacancy rate in competing properties within the market area. Specifically, information on other LIHTC funded projects located in the project's Primary Market Area and those within a reasonable distance from the project shall be included.

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5. For developments in the planning, rehabilitation, or construction stages, provides the name of the project, address/location, and name of owner, number of units, unit configuration, rent structure, estimated date of market entry, and any other relevant market analysis information. If there are no developments in the planning stages or under construction, a statement to that effect shall be provided.
6. An analysis of the Section 8 vouchers available in the community shall be included. If vouchers go unused, this shall be explained. If there is a waiting list, this shall be documented.
7. The Market Study Provider shall note the primary housing voids in the market and comment on whether the project would target such voids.
8. Overall conclusions/recommendations about the impact of the comparable/competing rent analysis as it relates to marketability of the project.

0. Comparison of Assigned Projects

In a separate document, after all Market Studies have been completed, the Market Study Provider shall state which of the assigned projects should be considered to be competing within the same market area. The Market Study Provider shall also address whether or not the market area can sustain more than one of the tax credit projects proposed and whether the Market Study Provider believes the market can sustain more than one tax credit project., The Market Study Provider shall discuss the number of projects the market can sustain and the limitations.

Additionally, the Market Study Provider shall provide a brief comparison of the projects proposed for each market area, noting whether one project is more competitive proposal for the market than another. If an assigned project is not competing with any other proposals, the Market Study Provider shall make a statement to confirm its autonomy.

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EXHIBITS

Project Name

Data Year

Application Year

Year Placed In Service

Renter Households by Income and Household Size						
USE RAW CLARITAS OR ESRI DATA ONLY						
Range		1 Person	2 Person	3 Person	4 Person	5+ Person
Min	Max					
\$0	\$10,000					0
\$10,001	\$20,000					0
\$20,001	\$30,000					0
\$30,001	\$40,000					0
\$40,001	\$50,000					0
\$50,001	\$60,000					0
=>	\$60,001					0
Total		0	0	0	0	0

Data Year Projection

Renter Households by Income and Household Size						
USE RAW CLARITAS OR ESRI DATA ONLY						
Range		1 Person	2 Person	3 Person	4 Person	5+ Person
Min	Max					
\$0	\$10,000					0
\$10,001	\$20,000					0
\$20,001	\$30,000					0
\$30,001	\$40,000					0
\$40,001	\$50,000					0
\$50,001	\$60,000					0
=>	\$60,001					0
Total		0	0	0	0	0

Number of Bedrooms	Income Restriction	Number of Units	Gross Rent	Maximum Income
1	30%			
1	30%			
1	50%			
1	50%			
1	50%			
1	50%			
1	M			

Rent Comparability Grid

Unit Type →

Subject's FHA #:

Subject			Comp #1		Comp #2		Comp #3		Comp #4		Comp #5	
Project Name		Data	Project Name		Project Name		Project Name		Project Name		Project Name	
Street Address		on	Street Address		Street Address		Street Address		Street Address		Street Address	
City County		Subject	City County		City County		City County		City County		City County	
A.	Rents Charged		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
1	\$ Last Rent / Restricted?											
2	Date Last Leased (mo/yr)											
3	Rent Concessions											
4	Occupancy for Unit Type		%		%		%		%		%	
5	Effective Rent & Rent/ sq. ft	▼										
In Parts B thru E, adjust only for differences the subject's market values.												
B.	Design, Location, Condition		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
6	Structure / Stories											
7	Yr. Built/Yr. Renovated											
8	Condition /Street Appeal											
9	Neighborhood											
10	Same Market? Miles to Subj											
C.	Unit Equipment/ Amenities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
11	# Bedrooms											
12	# Baths											
13	Unit Interior Sq. Ft.											
14	Balcony/ Patio											
15	AC: Central/ Wall											
16	Range/ refrigerator											
17	Microwave/ Dishwasher											
18	Washer/Dryer											
19	Floor Coverings											
20	Window Coverings											
21	Cable/ Satellite/Internet											
22	Special Features											
23												
D	Site Equipment/ Amenities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
24	Parking (\$ Fee)											
25	Extra Storage											
26	Security											
27	Clubhouse/ Meeting Rooms											
28	Pool/ Recreation Areas											
29	Business Ctr / Nbhd Netwk											
30	Service Coordination											
31	Non-shelter Services											
32	Neighborhood Networks											
E.	Utilities		Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj	Data	\$ Adj
33	Heat (in rent?/ type)											
34	Cooling (in rent?/ type)											
35	Cooking (in rent?/ type)											
36	Hot Water (in rent?/ type)											
37	Other Electric											
38	Cold Water/ Sewer											
39	Trash /Recycling											
F.	Adjustments Recap		Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg	Pos	Neg
40	# Adjustments B to D											
41	Sum Adjustments B to D											
42	Sum Utility Adjustments											
			Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross
43	Net/ Gross Adjmts B to E											
G.	Adjusted & Market Rents		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent		Adj. Rent	
44	Adjusted Rent (5+ 43)											
45	Adj Rent/Last rent											
46	Estimated Market Rent		← Estimated Market Rent/ Sq. Ft									

Appraiser's Signature

Date

Attached are
explanations of :

a. why & how each adjustment was made
b. how market rent was derived from adjusted rents
c. how this analysis was used for a similar unit type



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Preservation

A. Introduction:

Many apartment projects that were developed in the 1970s and 1980s through the Section 236 and Section 8 programs are nearing the end of their compliance periods. Projects developed under both programs are, for the most part, modestly designed rental developments with limited amenities. They depend on government subsidies in the form of interest rate reduction payments or project-based rent subsidies for a large portion of their rental revenues. The government subsidies allow very low-income households to occupy the units. The following briefly describes the rent components of these two programs:

- The Section 8 program provides project based rental assistance for up to 100 percent of the units in a project. Under the program HUD and the owner execute a Housing Assistance Payments (HAP) Contract that specifies contract rents that the owner will receive for units occupied by low-income households who pay rents based on 30% of their incomes. HUD pays the owner the difference between the contract rents and the tenant payments.
- The Section 236 program provides interest reduction payments for loans that finance housing targeted to low households who pay rent equal to the greater of the minimum, or basic rent, and 30 percent of their adjusted income. All rents are capped at a HUD approved market rent. Some or all of the units in Section 236 projects may also receive project-based rental assistance.

In an effort to preserve these Section 8 and Section 236 properties as affordable housing rentals, many non-profit and for profit developers are using tax credit equity to renovate the properties. The conversion to a LIHTC project may alter the project's existing rent subsidies. Some developers terminate all of the existing housing subsidies and convert the project to a 100% tax credit project that charges fixed rents to all tenants. However, most developers seek to retain the property's project-based rental assistance by extending its Housing Assistance Payments (HAP) contract.

HUD typically makes the extensions subject to annual appropriations or program changes. Since the HAP contract extensions do not guarantee the continuation of the project-based rent subsidies through the end of the 15 year Low Income Housing Tax Credit compliance period, it is necessary to consider what rents the project can achieve without rental assistance after its renovation and conversion to a tax credit property.

B. Factors to Consider in Market Analysis of a Preservation Property

- Market Position: The Section 8 and 236 projects generally are Class C properties with modest designs and limited amenities that usually compete with older subsidized and market-rate developments. A limited level of renovation that is more geared toward repairing existing systems and removing signs of deferred maintenance is not likely to change a project's market position. Improvements that significantly upgrade the project's design appeal and amenity level can reposition the project and allow it to compete with projects in a different age and rent class.
- Location: The site's adjacent land uses, neighborhood characteristics, and market area income levels affect the rents that the project could achieve without rental assistance. If the property has no adverse adjacent land uses and is in a community with incomes above the regional averages, it may be able to command significantly higher rents after renovation. However, if it is in a low income community that is dominated by deeply subsidized units and is not attracting reinvestment, the project's chances of commanding rents above the levels paid by its tenants, as well as residents of adjoining housing projects, are minimal.
- Comparable Projects: Unless the renovation involves upgrades that will let the preservation project compete with newer, market rate and tax credit projects, the property is most likely to compete with rentals that are in its current age and rent class and have similar locations. Using newer LIHTC projects that have similar income restrictions, but superior locations, designs, and amenities, to determine post-rehabilitation rents can produce rent estimates that significantly exceed what the property could achieve without project-based rent subsidies.
- Role of Housing Assistance Payments (HAP) Contract: The initial Section 8 HAP Contract rents and the Section 236 market rents were based on the cost of building the project, rather than the rents that the project could attain in the open market. HAP Contract and Section 236 market rents are automatically adjusted annually to reflect regional changes in household income, which often differ from the rates of rent appreciation in the project's micro-location. As a result the HAP Contract rents and Section 236 market rents often do not reflect the prices that the project could achieve if it lost its project-based rental assistance.
- Rents Paid by Tenants: The rents paid by the existing tenants, rather than HAP Contract or Section 8 market rents, can be a good barometer of the rents that tenants are willing to pay, especially in projects with some units that are not covered by project based rental assistance.
- Housing Choice Vouchers: Some projects that do not have 100% rental assistance are dependent upon tenant-based rent subsidies to fill their units. A reliance on rent subsidies to keep units fully occupied may suggest limited demand for units at non-subsidized rent levels.

- History of Rental Assistance: Government funding sources often increase the level of project-based rental assistance to properties that have chronic difficulty keeping their non-assisted units fully occupied. An analysis of a project's historic occupancy including increases in the degree of rental assistance can suggest either that the property has significant design flaws or its neighborhood has limited incomes that will not support higher rents.

C. Red Flags

- Mixing new and renovated LIHTC projects: Many funding sources require analysts to separately discuss market-rate and tax credit properties. If the market area contains newer tax credit projects that have better locations and/or more amenities, comparison of a preservation project to newer income restricted projects can overstate the occupancy and rent levels that the preservation property could achieve.
- Comparison to newer projects: Using newer projects that have similar income restrictions, but superior locations, designs, and amenities, to determine post-rehabilitation rents can produce rent estimates that significantly exceed what the property could achieve without project-based rent subsidies.
- No differentiation between units with different subsidies: In projects that have some units without project-based rental assistance, there can be significant differences in the occupancy levels and wait lists at the rental assistance units.
- No discussion of achievable rents: The absence of a discussion of the achievable rents can lead to the conclusion that the contract rents (or maximum tax credit rents) are feasible, with and without the project based rental assistance.
- Reliance on Section 236, market rents or HAP contract rents: Tenants seldom pay the Section 236 or HAP contract rents. Studies that use the contract rents at either the project under consideration or nearby projects can significantly overstate the rents that the property could achieve without rental assistance.
- No demand analysis for the non-rental assistance contingency: An analysis that assumes that the project based rental assistance will remain may use an income base ranging from \$0 up to the maximum tax credit income limits. It may conceal the limited number of tenants who could qualify to live at the property without rental assistance.

D. Recommended Practices for Analyzing Preservation Properties

- Role of Housing Assistance Payments (HAP) Contract: Discuss the project's existing financial structure, including the number of units covered by the HAP contract. Describe the terms and conditions of any post-renovation extensions to HAP contracts or other forms of project-based rental assistance.
- Scope of Rehabilitation: Describe the planned improvements.
- Market Position: Discuss the impact of the rehabilitation on the property's market position.
- Comparable Projects: Use the projects that are most similar in design, age, and rent class as the basis for projecting the property's market performance after renovation. Older projects that have been converted to tax credit properties are often the best comparables. The market analysis should place less emphasis on newer tax credit projects in determining the anticipated rents and occupancy rates of preservation projects.
- Rent Roll Analysis: Analyze the rents paid by the tenants of both the units that have project-based rental assistance and those that do not. Compare vacancy rates and wait lists of assisted and non-assisted units. Discuss the role of Housing Choice Vouchers in filling the units that do not have rental assistance.
- Location: Discuss housing prices, income levels and land uses that are adjacent to the site, as well as any planned or existing neighborhood improvements that will affect the rents that the property could achieve.
- Attainable Rent without Rental Assistance: Determine what tax credit rents the property could achieve after rehabilitation if it lost its project-based rental assistance.
- Income Qualified Tenants: Estimate how many tenants could remain at the property without rental assistance.
- Demand Analysis: Use the incomes needed to qualify for the project without rental assistance to estimate demand. Discuss whether the market area has a sufficient pool of income qualified tenants who could fill the units if the property no longer had project-based rental assistance.



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Determining Market Area

Introduction:

The definition of a market area sets the context and tone of the entire market study. While a somewhat subjective judgment, a market area's size and density has a profound impact on an analysis in terms of understanding demographic trends, demand estimates and the competitive environment.

A myriad of factors should be considered in order to ensure the most accurate market area possible. A detailed narration should advise the reader how a market area was determined. Documentation of boundaries such as Census data, commuting patterns, neighborhood boundaries, jurisdictional divisions, school districts, social service area boundaries, and anecdotal information obtained during a field visit should be included in this narration. The narrative should explicitly describe what relevant factors led to the market area definition.

Impact of a Market Area

- **Population and Household Counts:** The number of households in a market area is directly proportionate to its geographic size within an individual market. Total householders residing in a market area can greatly influence demand calculations.
- **General Demographics:** The socio-economic composition of a market area including income, household size, and tenure can be largely influenced by the erroneous inclusion or exclusions of non-comparable areas.
- **Demand:** Too large of a market area may result in overstating demand for a proposed development. Conversely, too conservative of a market area may discount the demand for new product, especially if a lack of quality housing currently exists.
- **Supply Analysis:** While a larger market area generally includes higher household totals, it likewise may include a higher number of directly comparable units. If using demand methodologies that net out recently constructed and comparable rental units from the demand estimate, the increase in the number of comparable units can outweigh the increase in demand.
- **Competitive Stock:** The existing rental stock surveyed for a market study is dependent on the number of rental properties in a given market and therefore the boundaries of a primary market area. If existing developments are going to be used as "comparables", they should be located in the primary market area, ~~if possible~~.



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- Attainable Rents - If the market area includes non-comparable areas, the analysis may use comparable projects that suggest that a project can achieve rents that are significantly higher or lower than the rents its micro location will support.



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Factors to be Considered in Determination of a Market Area.

- **Location of Competitive Properties:** A primary consideration in defining a market area is identifying those locations that offer alternative opportunities to a potential renter for a subject site. The managers of existing Comparable Properties near the site are excellent sources in determining those competitive locations.
- **Accessibility:** Available transportation linkages including both traffic arteries and mass transit options can influence the size of the market. Mass transit can have a significant impact on projects addressing very low income households for which transportation options may be limited.
- **Natural Boundaries:** Natural boundaries including rivers and mountains can restrict the movership within a market due to lack of accessibility.
- **Housing Product Characteristics:** The availability of a unique structure type such as a high rise may alter the typical draw of a potential project.
- **Market Perceptions:** Whether grounded in reality or not, market perceptions can be a significant determinant of market area boundaries. Social stigmas often exist within sub-markets, with residents from one side of a submarket may not move to a close by neighborhood, regardless of housing opportunities. The construction of a new, attractive rental community may not necessarily relieve this perception.
- **Commuting Patterns:** The time spent commuting and employment destination could often reveal distinct patterns. High percentages of workers with long commutes or working in neighboring counties are often indicators of a lack of affordable housing options near employment centers.
- **Target Market:** Proposed developments targeting a special needs population such as seniors, generally draw from a larger geographic region. Given the smaller pool of qualified householders, the location and quantity of comparable stock is of additional importance. An acceptable market area for a family oriented rental community will often be too conservative for a rental community targeting senior rental householders.
- **Jurisdictional Boundaries:** Differences in the quality and services provided by school districts, municipalities, or counties often influence consumer location choices.
- **Local Agency Service Boundaries:** The geographic areas covered by local agencies, such as housing authorities, senior citizen centers, community-based organizations, or churches can be a strong indicator of market area boundaries, especially when the project has a community-based sponsor or co-sponsor.
- **Non-geographic Factors,** such as employees who might be expected to reside in a development as a result of planned or existing job opportunities and special needs



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households who are served by a multi-jurisdictional agency that covers communities that are clearly distinct market areas.

Potential Market Area Red Flags.

- ~~Radii Market Area: The use of concentric circles commonly referred to as a "ring analysis" to determine a market area is an arbitrary and antiquated technique. While useful in developing preliminary demand estimates, adequate field work generally yields sufficient data and insight, eliminating the need to draw a circle around the site. In some cases, an accurate market area can resemble a circle; however the market analyst should present data and narration explaining the use of this type of market area.~~ IFA WILL NOT ACCEPT RADII.
- County-Wide Market Areas: A common practice, especially in rural areas, is to use an entire county as the market area. The site's location relative to the county boundaries should be heavily considered before the county is chosen as the market area. Often times, similar housing communities in neighboring cities or towns are closer in both proximity and demographic/housing composition than the far side of a county. The location of a proposed community within a particular county does not ensure that all county residents will consider it a viable housing option; likewise residents of neighboring counties will not necessarily ignore it just because it is not in their home county. Another path of least resistance example is using city limits, which may exclude nearby communities or unincorporated areas.
- Gerrymandered Market Areas: Irregular shaped markets may be a symptom of drawing a market area to support a specific position. A market area should be somewhat contiguous, following transportation networks, political and natural boundaries. An unusual appendage to a market should be examined and justified by the analyst.



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Comparable Properties

INTRODUCTION:

According to the National Council of Affordable Housing Market Analyst's (NCAHMA) *Market Study Terminology*, a **comparable property** is "A property that is representative of the rental housing choices of the subject's Primary Market Area and that is similar in construction, size, amenities, or age. These comparable properties and Competitive Properties are generally used to derive market rent." A **competitive property** is "A property that is comparable to the subject and that competes at nearly the same rent levels, and tenant profile, such as age, family or income."

Any given market area may include many rental properties in its housing stock. The existing rental housing stock may include a wide range of properties in terms of age, price position, amenities, and curb appeal/condition. A survey of the entire rental spectrum is important to understand the overall health of the market area's rental market, but the properties at similar price points and targeting the same tenant base are the most relevant to the subject property. These most relevant rental communities are identified as comparable properties. Just as all renter households are not potential tenants, all rental properties are not comparable properties. It is important to distinguish between comparable properties and "surveyed rental stock."

Comparable properties are an important aspect of a market study. No study is complete without considering the proposed property in contrast to the comparable properties.

Comparable properties are used for several purposes within a market study. They are used to help evaluate the market, they are used to evaluate the subject's position within a market, and they are used to determine market rents. The more similar the comparable properties are to the proposed property, the more reliable the conclusions that may be drawn.

The purpose of this paper is to investigate the concepts involved in selecting comparable properties, and to identify some of the ways comparable properties are used in a study. Before a market analyst can derive market rents, s/he must select comps. Issues regarding market rents are addressed in the white paper on market rents, which can be found on NCAHMA's website, www.housingonline.com. Throughout this paper, the use of the word "proposal" includes new construction, rehabilitation, and adaptive reuse.

IMPACT OF COMPARABLE PROPERTIES ON STUDY:

Selected comparable properties influence the analysis and the conclusions of the market analyst. Various aspects of the study that are directly influenced by the comparable properties include:



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- Market Rents: When market rents are derived, then the rents are influenced by the selection of comparable properties. This is especially true if only a few comparable properties are used in the analysis. Additionally, if the comparable properties are all in significantly more (or less) desirable locations, the market rent could be skewed.
- Bedroom Mix: When the market analyst suggests a bedroom mix, the performance of the comparable properties will be taken into account. The market analyst **shall** distinguish between the numbers of bedrooms for each unit type, especially when considering vacancy rates.
- Absorption: The market analyst will consider the comparable properties when estimating the lease up period of the proposed property. Good comparable properties with recent absorption histories can be used to estimate the likely performance of the subject. When the market lacks recently built comparable properties, then the market analyst will consider the vacancy rates and concessions offered by the comparable properties and other factors, such as time to rent a comparable vacant unit.

FACTORS THAT INFLUENCE COMPARABILITY

Factors to consider in ranking comparable properties:

Four primary aspects of a potential comparable property are considered: rents, tenant profile, physical characteristics (including age), and location. In a competitive property, one would expect most, if not all, of these factors to be similar to the proposal. In a comparable property, none of the factors needs to match the proposal, but one or more often does.

- Rents: Housing choices with similar rents can be comparable properties.
- Tenant Profile: The profile of the tenants in the comparable properties should be similar to the proposed property. Proposed senior housing should be evaluated in terms of comparable senior housing, for instance. Rental developments with project based rental assistance should be considered separately from conventional and tax credit properties that lack project based rental assistance. Similarly, in tax credit properties, 30% AMI units cannot be directly compared to 60% AMI units.
- Physical Characteristics: Characteristics such as size of unit, number of bedrooms, size of development, general condition and curb appeal, and unit and complex amenities are considered, regardless of rent. A new complex with similar amenities, unit square footage and a “look and feel”, might be considered a comparable



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property. Design and amenities are two of the physical characteristics of the proposed property that should be considered separately. Design features include aspects like size of units, number of bedrooms and bathrooms, and number of units, while amenities include features like swimming pools, business centers, and covered parking. The age of a property is a factor in selecting comparable properties, mainly as a proxy for other characteristics because older apartments may lack modern features and may lack amenities.

- **Location:** Location plays the final role in selecting comparable properties. In a large city, there may be several comparable properties in walking distance, while in a small rural town properties further away may be considered. The best comparable properties from the standpoint of rents or characteristics might not be very close to the proposed property. When a proposed property offers scarce and highly sought after amenities comparable properties might be found further away than in other cases. An example could be a high-rise senior housing proposed property.

Choosing the most comparable property:

The more closely the comparable property matches the subject in terms of the factors above, the more appropriate it is as a comparable property. The perfect comparable property would be a newly built (assuming the proposed property is new construction), recently leased, complex with the same number of units, the same unit sizes and features, and the same rent¹, built in the same location. Perfect comparable properties are sometimes found when a second phase is built, but exactly comparable properties are rare.

Considering the geographical relationship of the comparable property relative to the comparable property is important. One may find, for instance, that rents are lower or that vacancy rates are higher in certain area within a particular apartment market.

Pricing variations may be found when patterns in vacancy rates and amenities among various comparable properties are examined. The vacancies may cluster in a particular rent range or rents above certain levels may require certain amenities.

The rents and locations of comparable properties are evaluated in the same manner as comparable property features.

By selecting some comparable properties that are near the subject (even though their rents and features are different), some comparable properties with rents that are similar (even though they are not near the subject and have different features), and some comparable properties that have similar features (even though they are far away with different rents), contrasting elements and pricing patterns may be found that improve the quality of the

¹ If the analyst determines the *pro forma* rents are not attainable, then the perfect comp would have the same rent that the subject is expected to achieve.



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analysis. This is true even when none of the comparable properties, considered alone, is good enough to be considered a Competitive Property.

In some cases single family rental properties may be considered in a comparable analysis. If the proposed property is for single family rental, then the most comparable units will likewise be single family. Single family rental properties may also be helpful if deriving market rents when the proposed property has unit types (three, four and/or five bedroom units) that traditional apartment buildings may lack. Also, some rural areas may lack comparable properties. There might be no apartments at all, or the apartments might be very dissimilar. Special care needs to be taken when using single family comparable properties in a multifamily study, and *vice versa*. Many single family rentals require the tenant to maintain the property to some extent (for instance, mowing the lawn), which is usually not the case in an apartment complex.

How many comparable properties are necessary?

The appropriate number of comparable properties examined and profiled in a market study depends on the purpose of the study, the variety of unit types at the proposed property and the depth, diversity and size of the apartment market examined. In a small town, it is usually good practice to survey every apartment in the market area because there usually are not that many, and it helps to really understand the housing choices in the town. In a larger city there could be hundreds of apartments in the market area, and surveying them all is unnecessary. Surveying the apartments that are nearest to the site, the apartments that are most similar in rent, and the ones that are most similar in condition, amenities and design will allow the market analyst to draw accurate conclusions. ~~It will usually require more than three or four, unless the comparable properties are nearly a perfect match to the proposed property.~~

PRESENTING INFORMATION ON COMPARABLE PROPERTIES

Different market analysts will present information about comparable properties in different ways, but there are some guidelines provided in NCAHMA's *Model Content Standards for Market Studies for Rental Housing*. Section F, Existing Rental Housing Stock, lists the type of information that should be provided, along with some of the analysis that should be performed.

- Photo sheets: Usually detailed information will be provided for each comparable property, along with a photograph, in one section. Photo sheets will usually provide rents and vacancies by bedroom size, project and unit amenities, included utilities, specials, *etc.* The analyst should indicate any applicable government program or financing source, including any income or rent restrictions.



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- Tables: Various aspects of the comparable properties (such as vacancy rates or amenities) will be summarized in tables for all the comparable properties. The comparable properties will be evaluated relative to the proposed property.
- Maps: one or more maps will be presented that will show the comparable properties and various other aspects of the market area, like grocery stores, hospitals, and schools to help the reader understand how the proposed property will fit into the market.
- Ranking comparable properties: Sometimes it is useful to rank comparable properties either individually or in groups, especially when there are many comparable properties. Specific recognition might include labeling a comparable property as the “most” or “best” comparable. Surveyed apartments can be ranked broadly as Class A, B, or C. New LIHTC apartments are typically Class B, while luxury apartments are Class A. Class C apartments are generally older stock with some deferred maintenance. Other ranking systems could be used including scoring the comps, or ordering them numerically.

POTENTIAL RED FLAGS

The following issues or characteristics of a market do not necessarily indicate a problem in the market analysis, but they are areas where problems may exist.

- Too Few Comparable properties: The market may be portrayed inaccurately if comparable complexes with problems or well-performing comparable properties are excluded.
- Too Many Comparable properties: Problems in truly comparable properties might be masked by an overwhelming number of comparables that are performing much better. Also, too many comparables, presented in a disorganized fashion with no distinguishing examination of the relevance of their features, may be confusing.
- Too Far Away: Apartments in a different sub-market (or a different market all together) may not have any bearing on the proposed property. **Comps must be in the market area.**
- No Comparable properties: In some rural markets, or with some unusual proposed properties, it may be difficult to find comparable properties that are similar, or have enough similar features, relative to the proposed property. In those cases, a market analyst might evaluate other types of rental property or other market analysis methodologies may be appropriate.



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- Rent Structure: Properties with different rent structures might be doing better than apartments similar to the proposed property. For example, properties with rental assistance (either in the form of nearly 100% project-based rental assistance or with a high proportion of housing choice vouchers) may be performing better and inaccurate conclusions may be drawn if the market analyst fails to acknowledge the reason for the superior performance.
- Utilities: The analyst should consider the value of utilities included in the rent and the type of utilities used for heating and cooking (i.e. electric vs. gas).
- Specials: The analyst should consider the value of concessions.
- Mixed Income: When the proposed property has unit types that target mixed income households, the rents and unit types targeting each income level needs to be evaluated separately, with comparable properties considered for each aspect of the proposed property.



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Calculating Market Rent

Introduction:

A market analysis for income properties, that is that includes rental units, requires an estimate of market rent. Depending on the purpose of the study, it could be an average market rent for all units in a defined market area, a weighted average market rent for all units, or for various unit types, ie., studios, one or two bedrooms, etc.

A growing number of users of market studies for income-restricted projects require market analysts to determine whether a planned project's proposed income restricted rents are sufficiently below market rents for a comparable unit. In the consideration of an income restricted project, many investors, lenders, and state allocating agencies think that the units should have below-market rents to compensate for their limited pool of potential tenants. The below market rents are expected to assure that the units can compete effectively for tenants with market rate units. Typically, lenders and investors indicate that a proposed project should have rents that are at least 10% below the rents the project could attain on the free market. These users require that market rent be applied to specific unit types in a specific project. Thus, there is a need for a standardized definition.

Definition:

According to NCAHMA's definition, market rent is the rent that an apartment, without rent or income restrictions or rent subsidies, would command in the open market considering its location, features, and amenities. Market rent should be adjusted for Concessions and owner paid utilities included in the rent.

Our organization's definition suggests that, at a minimum, all estimates of market rents should take into account the impact of concessions and differences in tenant utility costs. It often is necessary to adjust for other factors that have a direct impact on the rents charged within a market area.

Issues to Consider in Determining Market Rents

- Establishing Comparables: Comparable properties are those properties that compete in the same market and with the subject property. Typically they would be similar in location, age, design and amenities.



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- Deriving adjustments: Whenever possible direct information from the market should be used. For example, there may be data available from apartment manager/leasing agents as to how they differentiate rents between units as to first or second story, street or interior view, amenities (w/d, fireplace, garage/carport vs. open parking, etc.) size differences, etc. Using charts that illustrate how the adjustments were quantified and applied are both helpful and frequently required. Most end users need the information to help them understand how the final market rent estimate was derived.
- Establishing Adjustments: Adjustments can be expressed as positive or negative and expressed mathematically to adjust the comparables to the subject to derive market rent. That is, either in percentages or \$ per unit or \$ per square foot.

Factors that Influence Market Rent Analysis

- Concessions: This term refers to discounts from asking rent for a particular unit, unit type or all units in a project. They can be specific to one project or prevalent in a given market. Market rent is modified by discounts. These can take the form of a free rent, free rent spread out over the term of a lease, a reduced deposit or gifts of appliances, club memberships, etc. Thus, market rent is asking or door rent, less concessions. When these adjustments are made, the rent is referred to as effective rent.
- Other Quantifiable Adjustments: Market rent for a particular unit/complex must consider any adjustments common in the subject market. Examples of adjustments are discussed below:
 - Utilities: The determination of market rent must consider the utility structure. What utilities are available and which, if any, are included in the monthly rent.
 - Amenities:
Project Location: Rent for a unit will reflect location with a perceived better residential location commanding higher rent for a similar unit in a perceived lesser location.

Project Design : This item could range from simple curb appeal, that is how appealing a project is from the street to ease of parking, floor plans and access to common areas for each unit.



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Project Amenities: This item refers to common area amenities such as open space and recreational and parking facilities. These items are market specific as some amenities considered essential in some markets are of little value in others.

Unit Features: This item refers to in-unit conveniences such as appliances, type and quality, in-unit laundry, fireplaces, private outdoor spaces, decks and patios. As with project amenities, these items are frequently market specific.

Tenant Services: This item can include on site management during business hours or 24 hour seven day service, business centers, day care and after school services, concierge services such as laundry and dry cleaning pickup and delivery, etc. Even if there are separate charges for services, their availability leads to higher rents than those projects without the availability.



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Potential Red Flags

In any analysis of the market or attainable rent for a particular project the adjusted rent must be considered relative to other competitive projects and in consideration of the history of the subject market and the analyst's experience.

- There is no precedent for the market rent estimated. This can be true if the rents are higher or lower than the prevailing market rents.
- None of the properties identified as competitive are in fact comparable to the subject in important ways, in particular; location, quality and quantity of unit and/or project amenities.
- When there are no directly competitive properties in a market area, for example, the subject is new construction in a market either without previous construction of rental units or no units have been built for some years. The analyst needs to address why this situation exists and if demand still exists how the comparability of the rents used in the analysis was determined.
- In some cases, a 10% market rent advantage, may not be necessary. Examples may include (1) a rehabilitation project that, in comparison to competing projects, will be similar in age, design, amenities, and tenant profile; (2) a new project with better amenities than any other in the primary market area, and (3) a market when there is limited supply and the restricted rates, although close to market, are affordable to the target tenant.

Recommended Practices for Determining Demand

This white paper was recently adopted by NCHMA by a unanimous vote of its membership.

Introduction:

The National Council of Housing Market Analysts (NCHMA) has separate definitions of overall market demand and project specific demand. Market demand is the total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and covers all renter households and income levels. Components of demand vary and can include household growth; turnover, substandard dwelling units, rent over-burdened households, and demolished housing units.

Project specific demand is the total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be of the appropriate age, income, tenure and size for the specific proposed development. The components used to estimate the demand for a specific project are similar to those used to estimate overall market-area demand.

An analysis of a proposed rental project should evaluate both overall market demand and project-specific demand. It should evaluate the demographic; employment, construction and absorption trends, as well as projected changes in supply and demand to determine the number of units are needed to achieve market equilibrium. The analysis also should determine if there is sufficient support within the proposed development's primary market area (PMA) to support the planned development, as well as any other comparable units in the development pipeline.

A project-specific demand analysis should estimate the number of income-qualified renter households within the planned development's income range. The project-specific demand conclusion should not only indicate whether a market area has a sufficient number of income-qualified households to fill the proposed units. It also should discuss the impact of its proposed units on existing rental communities in the market area. In addition, it should consider how effectively a planned project can compete for tenants and address the planned development's ability to achieve stabilized occupancy at its proposed rents.

Factors to Consider in Analyzing Demand

Household Growth: Sufficient housing units should be available to accommodate existing households, newly forming households and immigrating households. If the market area's existing housing stock does not have an adequate supply of units, construction of new units is necessary to accommodate household growth.

Units in Pipeline: Projects that are planned or under construction will increase the existing supply and may affect market equilibrium. The units in the pipeline include the off-line units that will be renovated and returned to the market, unstabilized projects that are in lease-up, projects that are under construction, and planned projects that will enter the market before the proposed development is completed and fully occupied.

Vacancy Rates: Rental markets with high vacancy rates may reflect an oversupply of available housing. The overall health of the rental market may impact the ability of a proposed development to reach stabilization, despite favorable capture rates and properly positioned rents.

~~**Substandard Housing Conditions:** Below average unit conditions, obsolete unit designs, or shortages of certain unit types can produce a pent up demand for new units to replace existing housing units. Renters who are dissatisfied with their current living conditions may be potential tenants for newer units that better suit their needs.~~ See NCHMA definition in the NCHMA Market Study Terminology.

Unit Replacement: Units can be removed from the rental inventory for a number of reasons, including natural disaster, eminent domain, condemnation, abandonment, demolition, unit consolidation, and conversion to owner-occupied units or non-residential uses. Replacement of existing units can be a major cause for residential construction, especially in established communities with limited vacant land available for development.

Absorption Levels: A market area's performance in adding and filling additional units is often a better gauge of its ability to accommodate additional units than household growth statistics, especially in an area with a stable or declining population or an aging housing stock that does not satisfy needs or expectations of current residents.

Market Balance: Demand for new units comes from household growth as well as from pent-up demand from households who lack available, affordable housing and/or inhabit substandard housing. Pent-up demand is often reflected by very low vacancy rates at existing rental properties. If the number of new units that are planned or under construction exceeds the PMA's historic rental housing absorption levels or its projected levels of renter household growth, the completion of all the units in the development pipeline could temporarily oversaturate the market and produce rising vacancy levels and declining rents.

Market Segmentation: Household growth, job growth, and residential construction do not necessarily occur evenly throughout all income ranges. The need for additional units can be limited to specific price ranges or market niches.

Number of Potential Income Qualified Households: The primary market area, must contain a sufficient number of households who meet the occupancy restrictions of a proposed project. If it does not, a proposed project will not succeed unless it can attract households from supplemental sources, such as homeowners who sell their homes and become renters or local employees who live outside the primary market area.

Unit Distribution: Demand, as measured by both the number of potential qualified renters and reported occupancy rates within the primary market area, can vary significantly by unit type.

AMI Distribution: A planned project may have a small percentage of units targeted to a very high or very low-income group. In such cases, measuring the number of income-qualified households within the entire target income band can severely overstate the number of potential income-qualified renters.

Turnover: Not all income-qualified tenants will consider moving into a project. Empirical data on the percentage of market area tenants who move during a given period can give a more realistic estimate of how many existing market area tenants will be seeking a different unit during a planned project's lease-up period.

Affordability: LIHTC projects are targeted to low and moderate-income households who must pay a specific rent that is not based on their incomes. Unless a planned project has project-based rental assistance or a tenant has a Housing Choice Voucher, each tenant must have sufficient income to pay the proposed rents. In many cases, tenants who pay an excessive amount of their income for rent do not have enough income to pay the rents at the planned project.

Housing Choice Vouchers: If the planned project's rents will be under the Housing Payment Standards, vouchers can be a source of supplemental demand. Voucher support for income-restricted units can be substantial in communities where prevailing rents far exceed Housing Payment Standards, units do not meet Housing Quality Standards, landlords of existing properties do not participate in the voucher program, and/or housing authorities have unused vouchers.

Market Saturation: If the primary market area already has units that serve a large percentage of the planned project's target income group, there may not be enough unserved households to fill another planned tax credit project without adversely impacting the occupancy levels of existing LIHTC projects.

Location: A site's adjacent land uses, access, visibility, neighborhood characteristics and/or surrounding land uses may attract or prevent renters from moving to the site.

Proposed Rents: Demand estimates indicate the number of households able to pay the proposed rents, not their willingness to do so. If the proposed rents do not offer a value commensurate with the project's location, design, unit size, and amenities, income qualified households may not lease the proposed units.

Red Flags

Inappropriate Market Area: The size and socio-economic composition of a market area greatly influences demand calculations. A market area that is too large will overstate demand for a proposed development. An unrealistically small market area may either understate demand by underestimating the number of potential, income-qualified residents or overstate demand by excluding competitive existing or planned projects that are just outside the defined market area.

Sole Reliance on Capture Rates: A capture rate only measures the ratio of the total units proposed to the number of income qualified households in the market area. It does not take into account whether the other existing or approved projects adequately serve the proposed project's target income group. A capture rate also does not consider if there is demand for additional units at the target rent and income levels.

Use of Threshold Criteria: While capture and penetration rates are certainly an important measure of the strength of proposed development, determination of a project's viability should not be based solely on one number. A low capture or penetration rate does not automatically equate to demand for the proposed development. Conversely, a higher capture rate or penetration may be acceptable if the project is properly positioned or the market area is experiencing or about to experience rapid growth.

Project Level Capture and/or Penetration Rates: For projects that have an uneven unit mix (such as four one bedroom, 32 two bedroom, and 36 three-bedroom units) or AMI distribution (such as four 30% AMI and 72 60% AMI units), the use of aggregate capture or penetration rates can result in a misleadingly high estimate of the number of income qualified residents.

Limited number of units of a specific type or AMI level: Including a few units of a specific unit type or AMI level can allow a project to appeal to a broader income range. If the analysis does not consider whether there are sufficient households to fill each unit type at each proposed AMI or rent level, the demand conclusions may not be an accurate indicator of whether a proposed project's unit mix and occupancy restrictions are suitable for the market area.

Reliance of rent over-burdened households as a measurement of demand: Rent overburden indicates that either households do not have sufficient income to afford private rental housing or that they have elected to spend a greater share of their income for rent. Rent over-burdened households are concentrated at the lowest income ranges. Unless a project has project-based rental assistance or rents at the lowest AMI levels, it will not necessarily attract rent over-burdened tenants.

Tenant-based Housing Choice Vouchers: The availability of Housing Choice Vouchers or the waiting lists for Housing Choice Vouchers are generally not accurate measures of demand for a proposed rental community. Little correlation, if any, exists between the demand for vouchers, which allow tenants to pay rents based on their incomes, and 60% LIHTC units, which require all tenants to pay a specific rent. Vouchers are often left unused because tenants cannot find units that satisfy the program's rent and housing quality requirements. At best, a discussion of Housing Choice Vouchers should be anecdotal.

Use of census data to measure substandard housing: State demand models that include census-based substandard housing measures (usually inadequate plumbing facilities and overcrowded conditions) often do not completely capture the quality of the housing stock in a

given market area. However, there is generally a correlation between the percentage of households residing in these housing units and the condition of a market area's rental stock. Urban market areas will often have high substandard percentages, while emerging suburban and exurban markets have low substandard percentages. Thus, states that use substandard housing measures find that additional rental units are more difficult to justify in newer areas.

No discussion of pipeline in demand analysis: Units planned or under construction can alter the market area's rent and vacancy levels of different unit types. If the number of units within the market area's development pipeline exceeds short-term new construction needs, the market area may experience oversaturation, which might impair the market feasibility of the planned project.

Underperforming LIHTC projects: If LIHTC units, particularly those that have the same occupancy restrictions as the planned project, are experiencing higher vacancy rates than the overall market, there may be less demand for the planned project than indicated by a capture rate or penetration model. Conversely, higher vacancy rates may be limited to a specific project with design flaws or management deficiencies that is causing it to underperform in an otherwise healthy market.

Required Practices for Analyzing Demand for IFA

Capture Rate: Calculate the project's overall capture rate, as well as the capture rate for each unit type by proposed income targeting.

Penetration Rate: Calculate the penetration rate. Discuss whether there are enough unserved income- and size-qualified households to fill the proposed project without creating an adverse impact on the occupancy levels of comparable existing projects.

Anticipated Additions to Housing Stock: Discuss the implications of any future changes in the rental housing stock within the market area upon the long-term and short-term feasibility of the proposed project.

Unit Replacement: Where applicable, discuss the impact of physical depreciation, functional obsolescence, or a declining demand for a particular unit type within the market area on the demand for the proposed project.

Absorption Levels: Define and justify the absorption period and absorption rate for the subject property, considering the proposed unit mix and rent structure. The absorption forecast should consider the market area's historic ability to add and fill additional units, the performance of directly comparable properties, and the indicated capture and penetration rates. If a project's expected lease-up period will exceed its planned lease terms, the projected absorption rate should consider turnover by initial tenants.

Overall Market Demand: Discuss the additional number of units needed within the market area between the effective date of the report and the planned project's anticipated completion date. The overall demand estimate should consider the market area's existing vacancy levels, anticipated household growth rates, unit replacement needs, and project's that are planned and under construction. The analysis should determine if there is sufficient demand to support the proposed project.

Housing Choice Vouchers: Evaluate need for voucher support or HUD contracts, if applicable.

Market Balance: Evaluate a planned development's impact on overall rental occupancy rates. This analysis should include all units, as well as those in the planned development's target rent and income ranges.

Market Position: Discuss how effectively a planned development's location, design, size, unit mix, and income distribution matches market area need. Recommend changes to project design, unit mix and occupancy restrictions that would improve the planned development's ability to attract and retain tenants.



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Turnover

A. Introduction:

The rate that tenants move from one unit to another affects the length of time a project needs to achieve full occupancy. It also influences a project's annual revenues and operating expenses. The National Council of Affordable Marketing Analysts (NCAHMA) defines turnover as:

- 1) An estimate of the number of housing units in a Market Area as a percentage of total housing units in the Market Area that will likely change occupants in any one year, and
- 2) The percent of occupants in a given apartment complex that move in one year.

B. Factors to Consider

- Renter households likely to be seeking housing during lease-up period: Not all households move in a specific year. Using turnover, or annual movership rates, in demand analysis can help estimate the number of income qualified tenants likely to be seeking rental housing during the lease-up period.
- Variation in turnover rates within market areas: Tenant mobility rates depend on the characteristics of the market-area. Locations with low vacancy rates and regulatory restrictions that discourage mobility have low turnover rates. Market areas that are seasonal in nature or have more transient renter households (such as students or developing suburban communities) have higher rates.
- Within market areas, turnover rates vary among project and household types: Younger households are more apt to move than older households. During periods of market softness, older properties, especially those in below average condition are more prone to lose tenants, than newer, better maintained developments.
- Project-specific Absorption Periods: If a project's lease-up period extends beyond the typical lease term (such as one year), it may be necessary to re-let units vacated by the initial tenants before the property achieves a stabilized occupancy.

- Anticipated Rental Income: The proportion of tenants who do not renew their leases or vacate their units before the end of the lease term and the amount of time required to re-let empty units affect a property's annual rental income as well as its average annual occupancy rate.
- Operating Expenses: The ratio of tenants who vacate their units over the course of a year affects the operating expenses needed to prepare empty units for new tenants and locate new tenants.

C. Red Flags

- Use of Non-comparable projects: Using averages for all projects or projects that have different profiles may cause inaccurate turnover estimates.
- Lease-up periods that exceed 12 months: Absorption estimates that are based on an average rate of leasing new units may understate the time required for a project to realize stabilized occupancy.

D. Recommended Practices for Analyzing Turnover

- Market Area Movership Rates: Identify the market-area renter turnover rate, using Census Statistics, International Association of Real Estate Management (IREM) publications, or other regional apartment surveys.
- Turnover Rates of Comparable Projects: Survey comparable projects to determine property-specific turnover data. Where applicable, note variations in movership rates among different project types, such as market-rate, tax credit, and age restricted properties in various age and rent classes.
- Demand Analysis: When required by the scope of work, discuss the degree of turnover among renters during the project's lease-up period. Establish and justify the turnover rate used in the demand analysis.
- Project Turnover Rate: Based on available empirical data, discuss the likely turnover level the property will experience after it attains stabilized occupancy.
- Project Absorption: If the projected absorption period will exceed the typical lease term, evaluate the impact of the need to re-let empty units on the project's lease-up schedule. This evaluation should include the property's likely turnover rate and the additional period of time needed to allow the project to achieve a stabilized occupancy

NCHMA Market Study Index

Introduction: Members of the National Council of Housing Market Analysts provide the following checklist referencing various components necessary to conduct a comprehensive market study for rental housing. By completing the following checklist, the NCHMA Analyst certifies that he or she has performed all necessary work to support the conclusions included within the comprehensive market study. By completion of this checklist, the analyst asserts that he/she has completed all required items per section.

		Page Number(s)
Executive Summary		
1	Executive Summary	
Scope of Work		
2	Scope of Work	
Project Description		
3	Unit mix including bedrooms, bathrooms, square footage, rents, and income targeting	
4	Utilities (and utility sources) included in rent	
5	Target market/population description	
6	Project description including unit features and community amenities	
7	Date of construction/preliminary completion	
8	If rehabilitation, scope of work, existing rents, and existing vacancies	
Location		
9	Concise description of the site and adjacent parcels	
10	Site photos/maps	
11	Map of community services	
12	Site evaluation/neighborhood including visibility, accessibility, and crime	
Market Area		
13	PMA description	
14	PMA Map	
Employment and Economy		
15	At-Place employment trends	
16	Employment by sector	
17	Unemployment rates	
18	Area major employers/employment centers and proximity to site	
19	Recent or planned employment expansions/reductions	
Demographic Characteristics		
20	Population and household estimates and projections	
21	Area building permits	
22	Population and household characteristics including income, tenure, and size	
23	For senior or special needs projects, provide data specific to target market	
Competitive Environment		
24	Comparable property profiles and photos	
25	Map of comparable properties	
26	Existing rental housing evaluation including vacancy and rents	
27	Comparison of subject property to comparable properties	
28	Discussion of availability and cost of other affordable housing options including homeownership, if applicable	
29	Rental communities under construction, approved, or proposed	
30	For senior or special needs populations, provide data specific to target market	

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		Page Number(s)
Affordability, Demand, and Penetration Rate Analysis		
31	Estimate of demand	
32	Affordability analysis with capture rate	
33	Penetration rate analysis with capture rate	
Analysis/Conclusions		
34	Absorption rate and estimated stabilized occupancy for subject	
35	Evaluation of proposed rent levels including estimate of market/achievable rents.	
36	Precise statement of key conclusions	
37	Market strengths and weaknesses impacting project	
38	Product recommendations and/or suggested modifications to subject	
39	Discussion of subject property's impact on existing housing	
40	Discussion of risks or other mitigating circumstances impacting subject	
41	Interviews with area housing stakeholders	
Other Requirements		
42	Certifications	
43	Statement of qualifications	
44	Sources of data not otherwise identified	



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Market Study Terminology

Effective January 1, 2007, all affordable housing market studies performed by NCHMA members incorporate the member certification, market study index, the market study terminology and market study standards.

State Housing Finance Agencies and other industry members are welcome to incorporate the information below in their own standards. NCHMA only requests written notification of use.

I. Common Market Study Terms

The terms in this section are definitions agreed upon by NCHMA members. Market studies for affordable housing prepared by NCNCHMAHMA members should use these definitions in their studies except where other definitions are specifically identified.

Terminology	Definition
Absorption period	The period of time necessary for a newly constructed or renovated property to achieve the <i>stabilized level of occupancy</i> . The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the <i>stabilized level of occupancy</i> has a signed lease. Assumes a typical pre-marketing period, prior to the issuance of the certificate of occupancy, of about three to six months. The month that leasing is assumed to begin should accompany all absorption estimates.
Absorption rate	The average number of units rented each month during the <i>absorption period</i> .
Acceptable <i>rent burden</i>	The rent-to-income ratio used to qualify tenants for both income-restricted and non-income restricted units. The acceptable rent burden varies depending on the requirements of funding sources, government funding sources, target markets, and local conditions.
Achievable Rents	See <i>Market Rent, Achievable Restricted Rent</i> .
Affordable housing	Housing affordable to low or very low-income tenants.
Amenity	Tangible or intangible benefits offered to a tenant. Typical amenities include on-site recreational facilities, planned programs,

services and activities.

Annual demand	The total estimated demand present in the market in any one year for the type of units proposed.
Assisted housing	Housing where federal, state or other programs <i>subsidize</i> the monthly costs to the tenants.
Bias	A proclivity or preference, particularly one that inhibits or entirely prevents an impartial judgment.
Capture rate	The percentage of age, size, and income qualified renter households in the <i>primary market area</i> that the property must capture to fill the units. Funding agencies may require restrictions to the qualified households used in the calculation including age, income, living in substandard housing, mover-ship and other comparable factors. The <i>Capture Rate</i> is calculated by dividing the total number of units at the property by the total number of age, size and income qualified renter households in the <i>primary market area</i> . See also: penetration rate.
Comparable property	A property that is representative of the rental housing choices of the subject's <i>primary market area</i> and that is similar in construction, size, amenities, location, and/or age. Comparable and <i>competitive</i> properties are generally used to derive market rent and to evaluate the subject's position in the market. See the NCHMA white paper <i>Selecting Comparable Properties</i>
Competitive property	A property that is comparable to the subject and that competes at nearly the same rent levels and tenant profile, such as age, family or income.
Comprehensive Market Study	NCHMA defines a comprehensive market study for the purposes of IRS Section 42 as a market study compliant with its Model Content Standards for Market Studies for Rental Housing. Additionally, use of the suggested wording in the NCHMA certification without limitations regarding the comprehensive nature of the study, shows compliance with the IRS Section 42 request for completion of a market study by a 'disinterested party.'
Concession	Discount given to a prospective tenant to induce the tenant to sign a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or for free amenities, which are normally charged separately (i.e. washer/dryer, parking).
Demand	The total number of households in a defined market area that would potentially move into the proposed new or renovated housing units. These households must be of the appropriate age, income, tenure and size for a specific proposed development. Components of

	demand vary and can include household growth; turnover, those living in substandard conditions, rent over-burdened households, and demolished housing units. Demand is project specific.
Effective rents	Contract rent less concessions.
Household trends	Changes in the number of households for a particular area over a specific period of time, which is a function of new household formations (e.g. at marriage or separation), changes in average household size, and net <i>migration</i> .
Income band	The range of incomes of households that can afford to pay a specific rent but do not have below any applicable program-specific maximum income limits. The minimum household income typically is based on a defined <i>acceptable rent burden</i> percentage and the maximum typically is pre-defined by specific program requirements or by general market parameters.
Infrastructure	Services and facilities including roads, highways, water, sewerage, emergency services, parks and recreation, etc. Infrastructure includes both public and private facilities.
Market advantage	The difference, expressed as a percentage, between the estimated market rent for an apartment property without income restrictions and the lesser of (a) the owner's proposed rents or (b) the maximum rents permitted by the financing program for the same apartment property. $(market\ rent - proposed\ rent) / market\ rent * 100$
Market analysis	A study of real estate market conditions for a specific type of property.
Market area	See <i>primary market area</i> .
Market demand	The total number of households in a defined market area that would potentially move into any new or renovated housing units. Market demand is not project specific and refers to the universe of tenure appropriate households, independent of income. The components of market demand are similar to those used in determining project-specific demand. A common example of market demand used by HUD's MAP program, which is based on three years of renter household growth, loss of existing units due to demolition, and market conditions.
Market rent	The rent that an apartment, without rent or income restrictions or rent subsidies, would command in the <i>primary market area</i> considering its location, features and amenities. Market rent should be adjusted for <i>concessions</i> and owner paid utilities included in the rent. See the NCHMA publication <i>Calculating Market Rent</i> .

Market study	A comprehensive study of a specific proposal including a review of the housing market in a defined market area. Project specific market studies are often used by developers, syndicators, and government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, exist within a specific geography. The minimal content of a market study is shown in the NCHMA publication <i>Model Content for Market Studies for Rental Housing</i> .
Marketability	The manner in which the subject fits into the market; the relative desirability of a property (for sale or lease) in comparison with similar or competing properties in the area.
Market vacancy rate, economic	Percentage of rent loss due to concessions, vacancies, and non-payment of rent on occupied units.
Market vacancy rate, physical	Average number of apartment units in any market which are unoccupied divided by the total number of apartment units in the same market, excluding units in properties which are in the lease-up stage.
Migration	The movement of households into or out of an area, especially a <i>primary market area</i> .
Mixed income property	An apartment property containing (1) both income restricted and unrestricted units or (2) units restricted at two or more income limits (i.e. low income tax credit property with income limits of 30%, 50% and 60%).
Mobility	The ease with which people move from one location to another.
Move-up demand	An estimate of how many consumers are able and willing to relocate to more expensive or desirable units. Examples: tenants who move from class-C properties to class-B properties, or tenants who move from older tax credit properties to newer tax credit properties-
Multi-family	Structures that contain more than two housing units.
Neighborhood	An area of a city or town with common demographic and economic features that distinguish it from adjoining areas.
Net rent (also referred to as contract rent or lease rent)	Gross rent less <i>tenant paid utilities</i> .
Penetration rate	The percentage of age and income qualified renter households in the <i>primary market area</i> that all existing and proposed properties, to be completed within six months of the subject, and which are competitively priced to the subject that must be captured to

achieve the *stabilized level of occupancy*. Funding agencies may require restrictions to the qualified Households used in the calculation including age, income, living in substandard housing, mover ship and other comparable factors.

units in all proposals / households in market * 100

See also: capture rate.

Pent-up demand	A market in which there is a scarcity of supply and vacancy rates are very low.
Population trends	Changes in population levels for a particular area over a specific period of time—which is a function of the level of births, deaths, and net <i>migration</i> .
Primary market area	A geographic area from which a property is expected to draw the majority of its residents. See the NCHMA publication <i>Determining Market Area</i> .
Programmatic rents	See <i>restricted rents</i> .
Project based rent assistance	Rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.
Redevelopment	The redesign or rehabilitation of existing properties.
Rent burden	Gross rent divided by adjusted monthly household income.
Rent burdened households	Households with <i>rent burden</i> above the level determined by the lender, investor, or public program to be an acceptable rent-to-income ratio.
Restricted rent	The rent charged under the restrictions of a specific housing program or subsidy.
Restricted rent, Achievable	The rents that the project can attain taking into account both market conditions and rent in the <i>primary market area</i> and income restrictions.
Saturation	The point at which there is no longer demand to support additional units. Saturation usually refers to a particular segment of a specific market.
Secondary market area	The portion of a market area that supplies additional support to an apartment property beyond that provided by the primary market area.
Special needs population	Specific market niche that is typically not catered to in a conventional apartment property. Examples of special needs populations include: substance abusers, visually impaired person or

persons with mobility limitations.

Stabilized level of occupancy	The underwritten or actual number of occupied units that a property is expected to maintain after the initial rent-up period, expressed as a percentage of the total units.
Subsidy	Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's <i>contract rent</i> and the amount paid by the tenant toward rent.
Substandard conditions	Housing conditions that are conventionally considered unacceptable which may be defined in terms of lacking plumbing facilities, one or more major systems not functioning properly, or overcrowded conditions.
Target income band	The <i>income band</i> from which the subject property will draw tenants.
Target population	The market segment or segments a development will appeal or cater to. State agencies often use target population to refer to various income set asides, elderly v. family, etc.
Tenant paid utilities	The cost of utilities (not including cable, telephone, or internet) necessary for the habitation of a dwelling unit, which are paid by the tenant.
Turnover turnover period	1. An estimate of the number of housing units in a market area as a percentage of total housing units in the market area that will likely change occupants in any one year. See also: vacancy period. $\text{Housing units with new occupants} / \text{housing units} * 100$ 2. The percent of occupants in a given apartment complex that move in one year.
Unmet housing need	New units required in the market area to accommodate household growth, homeless people, and households in substandard conditions.
Unrestricted rents	Rents that are not subject to <i>restriction</i> .
Unrestricted units	Units that are not subject to any income or rent restrictions.
Vacancy period	The amount of time that an apartment remains vacant and available for rent.
Vacancy rate-economic vacancy rate - physical	Maximum potential revenue less actual rent revenue divided by maximum potential rent revenue. The number of total habitable units that are vacant divided by the total number of units in the property.

II. Other Useful Terms

The terms in this section are not defined by NCHMA.

Terminology	Definition
Area Median Income (AMI)	100% of the gross median household income for a specific Metropolitan Statistical Area, county or non-metropolitan area established annually by HUD.
Attached housing	Two or more dwelling units connected with party walls (e.g. townhouses or flats).
Basic Rent	The minimum monthly rent that tenants who do not have rental assistance pay to lease units developed through the USDA-RD Section 515 Program, the HUD Section 236 Program and HUD Section 223(d)(3) Below Market Interest Rate Program. The Basic Rent is calculated as the amount of rent required to operate the property, maintain debt service on a subsidized mortgage with a below-market interest rate, and provide a return on equity to the developer in accordance with the regulatory documents governing the property.
Below Market Interest Rate Program (BMIR)	Program targeted to renters with income not exceeding 80% of area median income by limiting rents based on HUD's BMIR Program requirements and through the provision of an interest reduction contract to subsidize the market interest rate to a below-market rate. Interest rates are typically subsidized to effective rates of one percent or three percent.
Census Tract	A small, relatively permanent statistical subdivision delineated by a local committee of census data users for the purpose of presenting data. Census tract boundaries normally follow visible features, but may follow governmental unit boundaries and other non-visible features; they always nest within counties. They are designed to be relatively homogeneous units with respect to population characteristics, economic status, and living conditions at the time of establishment. Census tracts average about 4,000 inhabitants.
Central Business District (CBD)	The center of commercial activity within a town or city; usually the largest and oldest concentration of such activity.
Community Development Corporation (CDC)	Entrepreneurial institution combining public and private resources to aid in the development of socio-economically disadvantaged areas.
Condominium	A form of joint ownership and control of property in which specified volumes of space (for example, apartments) are owned individually while the common elements of the property (for example, outside walls) are owned jointly.

Contract Rent	1.The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease. (HUD & RD) 2. The monthly rent agreed to between a tenant and a landlord (Census).
Difficult Development Area (DDA)	An area designated by HUD as an area that has high construction, land, and utility costs relative to the Area Median Gross Income. A project located in a DDA and utilizing the Low Income Housing Tax Credit may qualify for up to 130% of eligible basis for the purpose of calculating the Tax Credit allocation.
Detached Housing	A freestanding dwelling unit, typically single-family, situated on its own lot.
Elderly or Senior Housing	Housing where (1) all the units in the property are restricted for occupancy by persons 62 years of age or older or (2) at least 80% of the units in each building are restricted for occupancy by Households where at least one Household member is 55 years of age or older and the housing is designed with amenities and facilities designed to meet the needs of senior citizens.
Extremely Low Income	Person or Household with income below 30% of Area Median Income adjusted for Household size.
Fair Market Rent (FMR)	The estimates established by HUD of the Gross Rents (Contract Rent plus Tenant Paid Utilities) needed to obtain modest rental units in acceptable condition in a specific county or metropolitan statistical area. HUD generally sets FMR so that 40% of the rental units have rents below the FMR. In rental markets with a shortage of lower priced rental units HUD may approve the use of Fair Market Rents that are as high as the 50th percentile of rents.
Garden Apartments	Apartments in low-rise buildings (typically two to four stories) that feature low density, ample open-space around buildings, and on-site parking.
Gross Rent	The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease plus the estimated cost of all Tenant Paid Utilities.
High-rise	A residential building having more than ten stories.
Household	One or more people who occupy a housing unit as their usual place of residence.
Housing Unit	House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.
Housing Choice Voucher (Section 8)	Federal rent subsidy program under Section 8 of the U.S. Housing Act, which issues rent vouchers to eligible Households to use in the

Program)	housing of their choice. The voucher payment subsidizes the difference between the Gross Rent and the tenant's contribution of 30% of adjusted income, (or 10% of gross income, whichever is greater). In cases where 30% of the tenants' income is less than the utility allowance, the tenant will receive an assistance payment. In other cases, the tenant is responsible for paying his share of the rent each month.
Housing Finance Agency (HFA)	State or local agencies responsible for financing housing and administering Assisted Housing programs.
HUD Section 8 Program	Federal program that provides project based rental assistance. Under the program HUD contracts directly with the owner for the payment of the difference between the Contract Rent and a specified percentage of tenants' adjusted income.
HUD Section 202 Program	Federal Program, which provides direct capital assistance (i.e. grant) and operating or rental assistance to finance housing designed for occupancy by elderly households who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization. Units receive HUD project based rental assistance that enables tenants to occupy units at rents based on 30% of tenant income.
HUD Section 811 Program	Federal program, which provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by persons with disabilities who have income not exceeding 50% of Area Median Income. The program is limited to housing owned by 501(c)(3) nonprofit organizations or by limited partnerships where the sole general partner is a 501(c)(3) nonprofit organization.
HUD Section 236 Program	Federal program which provides interest reduction payments for loans which finance housing targeted to Households with income not exceeding 80% of area median income who pay rent equal to the greater of Basic Rent or 30 percent of their adjusted income. All rents are capped at a HUD approved market rent.
Income Limits	Maximum Household income by county or Metropolitan Statistical Area , adjusted for Household size and expressed as a percentage of the Area Median Income for the purpose of establishing an upper limit for eligibility for a specific housing program. Income Limits for federal, state and local rental housing programs typically are established at 30%, 50%, 60% or 80% of AMI. HUD publishes Income Limits each year for 30% median, Very Low Income (50%), and Low-Income (80%), for households with 1 through 8 people.
Low Income	Person or Household with gross Household income below 80% of Area Median Income adjusted for Household size.

Low Income Housing Tax Credit	A program to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code, as amended. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and that the rents on these units be restricted accordingly.
Low Rise Building	A building with one to three stories
Metropolitan Statistical Area (MSA)	A geographic entity defined by the federal Office of Management and Budget for use by federal statistical agencies, based on the concept of a core area with a large population nucleus, plus adjacent communities having a high degree of economic and social integration with that core. Qualification of an MSA requires the presence of a city with 50,000 or more inhabitants, or the presence of an Urbanized Area (UA) and a total population of at least 100,000 (75,000 in New England). The county or counties containing the largest city and surrounding densely settled territory are central counties of the MSA. Additional outlying counties qualify to be included in the MSA by meeting certain other criteria of metropolitan character, such as a specified minimum population density or percentage of the population that is urban.
Mid-rise	A building with four to ten stories.
Moderate Income	Person or Household with gross household income between 80 and 120 percent of area median income adjusted for Household size.
Public Housing or Low Income Conventional Public Housing	HUD program administered by local (or regional) Housing Authorities which serves Low- and Very-Low Income Households with rent based on the same formula used for HUD Section 8 assistance.
Qualified Census Tract (QCT)	Any census tract (or equivalent geographic area defined by the Bureau of the Census) in which at least 50% of Households have an income less than 60% of Area Median Income or where the poverty rate is at least 25%. A project located in a QCT and receiving Low Income Housing Tax Credits may qualify for up to 130% of the eligible basis for the purpose of calculating the Tax Credit allocation.
Rural Development (RD) Market Rent	A monthly rent that can be charged for an apartment under a specific USDA-RD housing program, that reflects the agency's estimate of the rent required to operate the property, maintain debt service on an un-subsidized mortgage and provide an adequate return to the property owner. This rent is the maximum rent that a tenant can pay at an RD Property.
Rural Development (RD) Program (Formerly the Farmers	Federal program which provides low interest loans to finance housing which serves low- and moderate-income persons in rural areas who pay 30 percent of their adjusted income on rent or the basic rent,

Home Administration Section 515 Rural Rental Housing Program)	whichever is the higher (but not exceeding the market rent). The Program may include property based rental assistance and interest reduction contracts to write down the interest on the loan to as low as one percent.
Single-Family Housing	A dwelling unit, either attached or detached, designed for use by one Household and with direct access to a street. It does not share heating facilities or other essential building facilities with any other dwelling.
State Data Center (SDC)	A state agency or university facility identified by the governor of each state to participate in the Census Bureau's cooperative network for the dissemination of the census data.
Tenant	One who rents real property from another.
Tenure	The distinction between owner-occupied and renter-occupied housing units.
Townhouse (or Row House)	Single-family attached residence separated from another by party walls, usually on a narrow lot offering small front and back-yards; also called a row house.
Very Low Income	Person or Household whose gross household income does not exceed 50% of Area Median Income adjusted for Household size.
Zoning	Classification and regulation of land by local governments according to use categories (zones); often also includes density designations.